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REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

Summary of the survey of economic conditions in the region of Latin America and the Caribbean, 1994

SUMMARY

In 1994, the economies of Latin America and the Caribbean showed a more robust performance than in previous years. The growth rate of the gross domestic product in the region rose from an average of 3.2 per cent a year in 1991-1993 to 4.5 per cent in 1994 (see tables 1 and 2), the highest figure recorded since 1980. Per capita income rose by 2.7 per cent. Average inflation (excluding Brazil) fell to 16 per cent, the lowest in several decades.

The Latin American and Caribbean countries continued to attract large amounts of foreign capital, nearly US$ 49 billion in 1994 (see table 11), which financed the growing deficit in the current account. None the less, such flows were lower than they had been in the previous two-year period due to the problems recorded by several of the region's countries, which experienced a reduction in their capital revenues. In particular, Venezuela's capital account recorded a deficit after three years of yielding surpluses. Mexico, in turn, experienced a major reduction in capital inflows from the beginning of 1994; that situation grew worse towards the end of the year, leading to a sudden devaluation. The effective breakdown of the exchange mechanism over several months generated a climate of uncertainty in Mexico that spread rapidly to other Latin American countries, in particular affecting financial flows from the developed countries.

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The increase in the level of economic activity was facilitated in part by improvements in the international economy, especially during the second semester: growth among the industrial countries doubled to 2.7 per cent, world trade volume rose from 4 to 7 per cent, and prices of non-fuel primary products rose for the first time in five years. Increases in international interest rates were not sufficient to offset those positive trends. In addition, in spite of the climate of uncertainty that prevailed in several countries owing to ongoing electoral processes, the improvement of Latin American and Caribbean economic performance was assisted by the continued expansion of domestic investment and by the persistence of stabilization policies and structural reforms. A further dynamic influence was the new impetus in regional integration measures.

Notwithstanding that improved performance, however, the expansion of productive employment continued to be insufficient in most parts of the region as the workforce grew rapidly, reflecting higher rates of participation. In some countries, the effects of economic restructuring and attempts to increase competitiveness have had a short-term negative impact on the demand for labour. Consequently, unemployment and underemployment figures have not diminished in consonance with growth rates; in some countries they have even increased in spite of the stimulus of expanded output.

An important feature of 1994 was an increasing convergence of growth rates among the countries of Latin America and the Caribbean, with the majority attaining moderate growth rates together with moderate inflation (see tables 2 and 4). Only three countries grew more than 7 per cent (Argentina, Guyana and Peru); similarly, only three had negative growth (Haiti, Honduras and Venezuela).

Price stability continued to be a high priority of economic policy in the region and new achievements were attained in that area. Excluding Brazil, average rates of inflation have fallen from 49 per cent in 1991 to 22 per cent in 1992, 19 per cent in 1993 and 16 per cent in 1994. Based on preliminary data, all but six countries will have inflation rates under 25 per cent in 1994; only Brazil, Haiti, Honduras, Jamaica, Uruguay and Venezuela will exceed that level (see table 4). Moreover, eight countries are likely to record single-digit inflation: Argentina, Barbados, Bolivia, Chile, El Salvador, Mexico, Panama, and Trinidad and Tobago. The most dramatic case of stabilization in 1994 was Brazil, where the Real Plan has succeeded in lowering inflation from nearly 50 per cent per month to about 3 per cent. In addition, major progress continued in Peru, where price increases have been brought down from over 7,500 per cent in 1990 to 15 per cent in 1994. Argentina enjoyed a similar success, with inflation declining from 1,300 per cent in 1990 to only 3.7 per cent in 1994. On the other hand, several countries experienced backsliding with respect to price increases in 1994: Costa Rica, Honduras, the Dominican Republic and Venezuela all recorded considerably higher inflation than they had in 1993.

In previous years, gains or losses in the battle against inflation have been heavily influenced by the fiscal situation. Currently, the fiscal balance in most countries in the region is either under control (although sometimes in a relatively fragile way) or financed externally. Indeed, in 1994, a large and growing fiscal deficit was an important cause of increased price rises only in Costa Rica, the Dominican Republic, Haiti and Venezuela; other variables have thus become more important. Appreciation of local currencies and the rising demand for real money balances have made a significant contribution to the consolidation of price stability in some countries. In others, indexation mechanisms have counteracted the attempts of macroeconomic policy to cut inflation.

In those circumstances, investment in fixed capital continued to expand at the high rates of the last three years. Based on partial data for 1994, imports of capital goods grew especially rapidly in Peru, Argentina and Brazil, and continued at a strong pace in Colombia and Mexico. That rapid growth is an important indicator of attempts by countries in the region to modernize their productive structure. The recovery of the activity level in the industrial economies and the resulting increases in international trade, together with the dynamism of intraregional trade, combined to offer a favourable context for regional exports: these grew to US$ 154.3 billion in 1994, an increase of more than 15 per cent, compared to an increase of only 5 per cent in 1993.

Imports to the region in 1994 reached US$ 174 billion, a rise of 17 per cent compared to 8 per cent in 1993 (see table 1). The increase would have been even higher were it not for the sharp drop in Venezuelan imports owing to recession and foreign-exchange restrictions. The largest increases in import value occurred in Peru (39 per cent), Brazil (29 per cent), Argentina (28 per cent) and Colombia (22 per cent) (see table 7). Those rates all represented an increased volume of imports, since price rises were quite moderate (2 per cent to 3 per cent).

The increase in the merchandise trade deficit from US$ 15 billion to US$ 19.5 billion (see table 9) continued the tendency towards a widening current-account deficit, financed by massive inflows of foreign capital. The current-account deficit grew from US$ 46 billion in 1993 to US$ 48.4 billion in 1994 (see tables 1 and 10). Nevertheless, due to the fact that net capital inflows for the region as a whole were almost similar to the current-account deficit, the amount of reserves increased only US$ 500 million, following accumulations in the vicinity of US$ 20 billion per annum in the period 1991-1993 (see tables 1 and 10).

The region's debt rose by 5.8 per cent in 1994 to reach US$ 534 billion (see tables 1 and 12). That net increase of nearly US$ 30 billion was largely accounted for by the above-mentioned bond issues, together with loans from international and regional financial institutions and Governments of industrialized countries. Those increases in liabilities were counterbalanced by commercial debt reductions in Brazil, Ecuador and the Dominican Republic, where Brady plans were implemented.

CONTENTS

		Paragraphs	Page
I.	ECONOMIC ACTIVITY	1 - 6	5
II.	MACROECONOMIC POLICY AND INFLATION	7 - 17	7
III.	EXTERNAL SECTOR	18 - 33	9
	A. Foreign trade and terms of trade	18 - 25	9
	B. Current account and external financing	26 - 30	10
	C. External debt	31 - 33	12

Tables

1.	Latin America and the Caribbean: main economic indicators	13
2.	Latin America and the Caribbean: total gross domestic product	14
3.	Latin America and the Caribbean: per capita gross domestic product	16
4.	Latin America and the Caribbean: variations in consumer price indexes	18
5.	Latin America and the Caribbean: real effective exchange rate indexes for exports	20
6.	Latin America and the Caribbean: exports of goods, free on board	22
7.	Latin America and the Caribbean: imports of goods, free on board	24
8.	Latin America and the Caribbean: terms of trade (goods), free on board/free on board	26
9.	Latin America and the Caribbean: trade balance (goods)	27
10.	Latin America and the Caribbean: balance of payments	28
11.	Latin America and the Caribbean: net capital inflow and transfer of resources	30
12.	Latin America and the Caribbean: total disbursed external debt	32

I. ECONOMIC ACTIVITY

1. The level of activity in Latin America and the Caribbean rose by 4.5 per cent in 1994, as the moderate recovery begun in 1991 gained momentum (see tables 1 and 2). As a result, per capita gross domestic product (GDP) rose again, this time by 2.7 per cent (see table 3). However, since regional output in 1994 was only 30 per cent higher than it had been in 1980 prior to the debt crisis, per capita GDP was still 2 per cent lower than in 1980, managing only to match its 1979 level. The increase in output was widespread: only three countries recorded downturns in the level of activity (see table 2). Moreover, countries' growth rates tended to converge, showing greater similarity than in previous years. The vast majority of the region's economies recorded increases that were close to the regional average, while the biggest gains were enjoyed by countries that are still recovering their activity levels after the prolonged recession of the 1980s. Growth in 1994 was due primarily to the expansion of external demand and the dynamism of investment, which was once again bolstered by a large inflow of financial resources from abroad.

2. Thus, Peru largely pulled out of its 1988-1992 recession as its economy continued to grow significantly, at a rate (13 per cent) that was even faster than the 1993 rate of 6.5 per cent. Guyana's economy expanded at the same brisk pace as it had in 1993, continuing its recovery for the fourth straight year. Argentina's economy also continued to grow rapidly (7 per cent), completing four years of notable expansion, with a cumulative increase of 34 per cent. Output in 1994 was 23 per cent higher than it had been in 1980, and per capita income recovered its 1980 level for the first time. El Salvador continued expanding significantly at a rate of 6 per cent, the highest level since 1979. Colombia's growth, which has traditionally been positive (though sometimes modest), has picked up speed in the past three years, reaching almost 6 per cent in 1994. Brazil continued the recovery begun in the midst of instability in 1993, recording a similar level of growth of about 6 per cent, improving its lacklustre performance between 1988 and 1992 but not yet matching mid-1980 levels. Meanwhile, in 12 other countries - Barbados, Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Trinidad and Tobago, and Uruguay - GDP grew by 3 to 5 per cent. Thus, Chile's economy expanded for the eleventh year in a row (though it expanded more slowly than it had in the preceding three years, when it had grown by 7 per cent), boosting GDP to a level nearly 70 per cent higher than the 1980 level. Mexico recorded moderate growth as its economy recovered from the virtual stagnation of the preceding year. Nicaragua's economy grew by 2.6 per cent after a decade of falling activity levels, but its GDP amounted to only two thirds of what it had been in the three years immediately preceding the crisis (1976-1978).

3. In contrast, five countries showed disappointing results: Jamaica's GDP grew by a modest 1 per cent as the economy turned in a mediocre performance for the fourth year in a row, while three other countries saw their activity levels decline. In Haiti, this deterioration reflected the prolonged recession in which the country has been mired since the outbreak of the political crisis. Meanwhile, the recession that had hit Venezuela in 1993 after three years of rapid expansion became more acute in 1994, and GDP in Honduras shrank after

three years of growth. Lastly, economic activity in Cuba barely moved from the low level recorded in 1993, after three years of sharp contraction.

4. Despite the still relatively high population growth rates in many countries of the region, the results in terms of per capita output were largely positive. In nine countries - Argentina, Barbados, Brazil, Colombia, El Salvador, Guyana, Peru, Trinidad and Tobago, and Uruguay - that indicator of well-being rose by 3 per cent or more, while another seven countries - Bolivia, Chile, Costa Rica, the Dominican Republic, Ecuador, Mexico and Panama - recorded moderate increases of between 1 per cent and just under 3 per cent. In contrast, per capita output stagnated or declined in the remaining eight countries. Owing to the poor performance of the region's economies in the past decade, however, only eight countries saw their 1994 per capita output exceed its 1980 level: Chile (33 per cent), Belize (31 per cent), Colombia (30 per cent), Jamaica (23 per cent), the Dominican Republic (10 per cent), Uruguay (14 per cent), Panama (7 per cent), Costa Rica (4 per cent) and Argentina (2 per cent). In Barbados and Paraguay, that indicator was practically the same in 1994 as it had been in 1980. At the other end of the scale, the biggest reductions in per capita output since 1980 were observed in Cuba (-46 per cent), Haiti (-45 per cent), Nicaragua (-42 per cent), Trinidad and Tobago (-32 per cent), Peru (-21 per cent), Venezuela (-17 per cent), Bolivia (-12 per cent), Guatemala (-15 per cent) and Honduras (-8 per cent) (see table 3).

5. The employment situation deteriorated in a number of countries in the region in 1994, as shown by higher unemployment rates and stagnant or falling formal employment indicators. In Argentina, open urban unemployment continued to rise, at well over 10 per cent of the workforce, while Venezuela also recorded a sharp increase in that indicator. Chile's unemployment rate rose to about 6.7 per cent in the period from August to October, compared to its considerably lower level of 4.8 per cent in the same three months of 1993. Brazil's situation worsened slightly as open unemployment rose and employment in manufacturing contracted, particularly in the formal sector. Mexico also suffered a moderate increase in unemployment, as the rate for urban areas rose from 3.5 per cent in the first nine months of 1993 to 3.7 per cent in the same period of 1994, while the level of formal employment fell, except in the maquiladora 1/ industry. Unemployment also worsened in Bolivia, Honduras, Nicaragua and Uruguay. In Peru on the other hand, unemployment dipped slightly from 9.9 per cent to 9.5 per cent, while formal-sector urban employment remained stable, with downturns in manufacturing and commerce and an upturn in services. The employment situation also improved in Ecuador, El Salvador and Panama.

6. Employment patterns in Latin American countries are highly diverse. In Venezuela, the increase in unemployment was primarily attributable to the decline in output, especially that of activities geared towards domestic demand. In other countries, employment indicators were eroded by the effects of various measures implemented under stabilization and adjustment policies. The dynamic expansion of formal employment in 1994 was concentrated in manufactures exports (the maquiladora and automotive industries) and non-tradables (construction and finance). However, in most countries of the region the jobs created in those activities were fewer than the jobs lost in other sectors of the formal economy. Thus, job creation in 1994 shifted towards the informal sector; it is estimated

that over 80 per cent of all new jobs in the region were in low-productivity, informal-sector activities.

II. MACROECONOMIC POLICY AND INFLATION

7. Controlling inflation remained the principal objective of most of the macroeconomic policies of the Latin American and Caribbean countries. During 1994, Brazil - with the biggest economy in the region - joined those countries with a stabilization programme. The downward trend in inflation thus became widespread: 17 of the 22 countries that were studied reduced their inflation, kept the same rate or recorded only slight increases, and only five of them (Costa Rica, the Dominican Republic, Haiti, Honduras and Venezuela) recorded significant increases.

8. The strategies for controlling inflation remained the same: fiscal austerity, prudent monetary policies and further trade liberalization, particularly in the form of regional agreements to eliminate tariffs among trading partners. Exchange-rate trends played a key role in consumer price variations in most of the countries of the region, by supporting anti-inflationary efforts in situations of voluminous supplies of foreign currency or by pushing prices upwards in situations where weak external sectors quickened the pace of devaluation.

9. The international scenario had diverse effects. On the one hand, the robust recovery of the developed economies raised commodities prices and increased demand for regional products, which led to an increase in overall demand. Despite the disturbances in Mexico and Venezuela, external capital continued to flow into the region, helping to finance the rise in domestic demand and moderate the upswing in the exchange rate. On the other hand, rising interest rates in the United States of America, while directly affecting debt service, helped to keep domestic rates high, particularly in those countries that had to finance considerable deficits on their current accounts. That process began to affect servicing of the public debt and prompted enterprises to seek resources for financing their capital formation by selling stock and securities on the international market.

10. Fiscal policy in virtually all the countries of the region sought to balance public accounts. Progress in fiscal reform, more realistic prices in public enterprises, perseverance in efforts to control tax evasion and resources from privatizations continued to increase real revenues. Expenditures, especially for investment, remained low, thus helping to achieve fiscal balance but also creating some uncertainty about Governments' ability to maintain such fiscal policies.

11. In 1994, a number of countries kept their fiscal balances within an acceptable framework, thus avoiding pressure on domestic credit; such was the case in Argentina, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Peru and Uruguay. Other countries with serious fiscal imbalances, such as Bolivia and Nicaragua, were able to finance them without recourse to domestic credit since external resources covered practically the whole deficit. Costa Rica, Haiti, the Dominican Republic and Venezuela, on the other hand, saw their

fiscal deficits increase and financed them by expanding the money supply, thus pushing inflation upwards. In Costa Rica and Venezuela, bank failures (a government bank in Costa Rica and a number of failures in Venezuela) resulted in huge para-fiscal deficits that had a considerable impact on the money supply, especially in Venezuela. The critical situation of the public sector in Haiti led the Government to finance most of the fiscal deficit by printing money. And even though Honduras received a good deal of external financing, the Government used bank credit to balance its accounts.

12. Monetary policy, then, was helped in all but a few cases by fiscal management and the rise in demand for money in a context of expectations of declining inflation. Thus, the challenge of keeping monetary expansion at a level compatible with growth and inflation targets remained linked with the flow of external capital. Domestic interest rates had to struggle with the conflict between competitiveness, monetary targets and financing the deficit on the external current account, with varying results. In most cases, as in previous years, priority was given to price stabilization, which led local currencies to appreciate again.

13. Generally speaking, changes in relative prices continued to favour non-tradables. The resulting real appreciation of the currency observed in most of the countries of the region helped considerably to moderate rises in consumer prices. Since that affected external competitiveness in a context of trade liberalization, many countries carried out sweeping measures to enhance productivity, with some impact on employment. The rise in international commodities prices, in a year in which the dollar depreciated notably in relation to the deutsche mark and the yen, also helped competitiveness. The exchange rate had the opposite impact on domestic prices in Honduras and Venezuela, countries in which higher devaluation pushed up the real exchange rate, with significant impact on inflation.

14. The sustained advance in integration processes, which entailed more sweeping tariff reductions than those adopted in general trade liberalization programmes, also contributed to a slow-down in domestic prices. The increase in trade relations between groups of countries should in the near future create pressure to coordinate macroeconomic policies; that in turn should help to consolidate the progress achieved during the early part of the 1990s.

15. While the modernization of the production apparatus, with the corresponding rise in labour productivity, led to a reduction in formal-sector employment in several countries, it apparently contributed to a concomitant rise in real wages. Thus, Argentina, Brazil, Chile, Peru and Uruguay recorded rises in average real wages, with little dynamism in the generation of employment.

16. The region's average inflation rate, excluding Brazil, fell to 16 per cent. If the annualized rate recorded in Brazil during the Real Plan is included, the regional average is about 30 per cent; such levels have not been recorded since the early 1970s.

17. In 1994, six countries (Argentina, Bolivia, Chile, El Salvador, Mexico, and Trinidad and Tobago) had single-digit inflation, while Barbados and Panama showed some instability in their small price hikes. Another nine countries

(Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Peru) had moderate annual rates, between 10 per cent and 30 per cent. Jamaica, with a 33 per cent annual rate, could almost be included in that group. Thus, only four countries showed high annual inflation rates above 40 per cent: Haiti, (which has serious political, social and macroeconomic disequilibria), Brazil, Uruguay and Venezuela (see table 4).

III. EXTERNAL SECTOR

A. Foreign trade and terms of trade

18. Levels of activity in the region's external sector were once again quite favourable, so that they did not hinder growth in most of the economies. Deficits were again recorded in both merchandise trade and the current account but were financed by the continued large inflows of capital from abroad. Export growth, though appreciable in 1994, barely made up for another spurt in the growth of imports. Thus, the Latin American countries' merchandise trade deficit widened considerably - to US$ 4 billion - but less than it had in the preceding two years. The current-account deficit also continued to increase, though more slowly than it had in the preceding two years, amounting to about 3 per cent of regional output.

19. One striking change in foreign trade of Latin American and Caribbean countries in recent years has been the growing importance of intraregional trade, which has increased substantially in size since 1990, nearly doubling its share of the region's total trade. Trade among the Southern Cone Common Market (MERCOSUR) countries and between those countries and Chile, spurred by free trade and integration agreements, accounted for the bulk of intraregional trade flows. Trade between Colombia and Venezuela had formerly been considerable but declined sharply in 1994 owing to Venezuela's economic crisis. After plummeting in the 1980s, trade among the Central American countries had rebounded in recent years but lost momentum in 1994.

20. The value of the region's merchandise exports rose by 15 per cent, reaching US$ 154.3 billion, as its rate of expansion quickened after the moderate increases of 1992 and 1993. This behaviour echoed the favourable pattern of 1987-1990, when external sales had increased at a high average rate. The 1994 increase reflected bigger export volume (9 per cent) and, to a lesser extent, a rise in unit values (6 per cent) (see table 6).

21. The region's export performance was fairly homogeneous: six countries - Bolivia, Chile, Colombia, Ecuador, Nicaragua and Peru - achieved sizeable increases (20 per cent or more), while 10 others - Argentina, Brazil, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Uruguay and Venezuela - boosted their exports by 8 to 19 per cent. Only Haiti saw a decline in the value of its exports, which plunged by more than 40 per cent. The expansion of Latin American exports in 1994 was driven both by commodities and by manufactures of non-traditional products, though patterns varied considerably from country to country.

22. For the fifth straight year, the value of the goods imported by Latin America and the Caribbean expanded, reaching US$ 174 billion, a 17 per cent increase over 1993. The volume of imports rose by 13.6 per cent and their unit value rose by nearly 3 per cent. The expansion was facilitated and even stimulated by large inflows of capital. The largest increases were observed in Argentina, Brazil, Colombia, Mexico and Peru, with gains of 18 per cent or more in relation to 1993. Imports to Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Nicaragua, Panama, Paraguay and Uruguay also grew quickly, by 6 to 15 per cent. Bolivia, Guatemala and Honduras recorded more moderate import growth, while Haiti and Venezuela drastically reduced their imports. About 90 per cent of the expansion was accounted for by three countries: Mexico (US$ 10 billion), Brazil (US$ 7.5 billion) and Argentina (US$ 4.4 billion). In contrast, Venezuela's imports plummeted by US$ 3.3 billion, more than three times faster than they had in 1993 (see table 9). Imports of capital goods made the biggest gains, driven by a surge in investment in several countries of the region. Foreign purchases of consumer and intermediate goods also grew appreciably, while fuel imports slackened owing to the drop in oil prices.

23. The terms of trade of the region as a whole rose by 2.8 per cent in 1994 (see table 8), due to the 5.6 per cent increase in the unit value of exports, which surpassed the rise in unit value of imports: only 2.7 per cent. However, the terms of trade for Latin America and the Caribbean were 11 per cent below 1990 levels and 29 per cent lower than 1980 levels.

24. The deficit on the balance of merchandise increased by 19 per cent, from US$ 15.3 billion in 1993 to US$ 18.9 billion in 1994 (see table 9). That widening of the trade gap was mostly due to larger deficits in Argentina, Mexico and Peru and a sharp drop in Brazil's trade surplus, although those were partially offset by better balances in Chile and Venezuela, with Chile going from a negative to a positive balance and Venezuela sharply expanding its trade balance (see table 9).

25. The trade balance for goods and services was more favourable than for goods alone, since the deficit on non-factor services declined by 25 per cent. That was basically due to a rise in Mexico's net income and the reduction of Venezuela's negative balance. This, however, was partially offset by larger net spending in Argentina. Mexico's expansion of services was due to the excellent balance of the maquiladora industry, which records its net revenue under services. The decline in Venezuela and increases in Argentina are explained by changes in transport services, which are closely linked to merchandise imports: these plummeted in Venezuela and expanded strongly in Argentina (see table 10).

B. Current account and external financing

26. Latin America's deficit on the current account of the balance of payments increased in 1994, although less than it had done in 1993. The negative balance on this account had increased significantly to US$ 18 billion in 1991 and jumped to US$ 37 billion in 1992 and US$ 46 billion in 1993. It continued that upward trend in 1994, reaching US$ 48.4 billion. That deterioration reflected the trend in the trade balance and an increase in the negative balance of Latin American and Caribbean profits and interests (see table 10). After declining in

1991 and 1992, that negative balance of profits and interests increased in 1993, going from US$ 31 billion to US$ 32.9 billion and reaching US$ 33.8 billion in 1994. The increase in the negative balance on Latin American and Caribbean factor services reflected the net effect of interest payments and the continuous outflow of profits. Interest accrued on the external debt rose, partly because of the rise in international dollar interest rates.

27. Virtually all the deterioration of the balance on current account was accounted for by Argentina, Brazil, Colombia, Mexico and Peru, and was partially offset by Chile's lower deficit and Venezuela's change of sign. The most striking increase in deficit was Mexico's: from US$ 23.5 billion in 1993 to US$ 29.4 billion in 1994. The deficits of Argentina and Brazil also increased, by US$ 2.7 billion and US$ 0.8 billion, respectively. Venezuela's change of sign meant a shift from a deficit of US$ 1.8 billion to a healthy surplus of US$ 4.1 billion. Chile, in turn, considerably reduced its deficit on current account from US$ 2.4 billion in 1993 to US$ 600 million in 1994. As a group, the countries of Latin America and the Caribbean showed better balances on their current account in 1994, with huge reductions in the deficits of the Dominican Republic and Guatemala and a rise in those of Haiti and Panama.

28. For the fourth year in a row, in 1994 the region continued to receive an abundant inflow of capital: close to US$ 49 billion, equivalent to 4 per cent of GDP. However, that amount represented a decline of US$ 16 billion relative to 1993, due to a sharp drop in bond issues and the capital flight experienced in Mexico and Venezuela. Bond issues dropped sharply during the second quarter of 1994 throughout the world, mostly because of the rise in interest rates in the United States of America. Other kinds of capital flows, however, including direct investment, supplier credit and loans from multilateral agencies, increased in 1994.

29. Bond issues in Latin America totalled US$ 13.6 billion during the first nine months of 1994, a 27 per cent contraction of the US$ 18.7 billion sold in that same period in 1993. More than US$ 4 billion in bonds were estimated to have been issued during the last quarter of 1994, putting the total bond issue for the year at US$ 17.5 billion. That level would be considerably below the 1993 level but far above the 1992 level.

30. Since 1991, stock purchases in both local and foreign markets, mostly in the United States, have provided a new source of foreign capital. In 1994, the rise in stock prices in dollar terms, which was appreciable in 1993, contracted sharply in some countries and even turned negative. The net transfer of resources towards Latin America and the Caribbean continued to be positive for the fourth consecutive year, albeit 53 per cent less than in 1993 (see table 11). The net transfer of resources was only US$ 15.2 billion in 1994, as opposed to US$ 32 billion in 1993. Most of the reduction in net transfer was in Mexico, Venezuela and the countries of Central America and the Caribbean.

C. External debt

31. In 1994, the external debt of Latin America and the Caribbean grew by almost US$ 30 billion to reach US$ 534 billion, an increase of 5.8 per cent or a somewhat lower rate than that of 1993 (see table 12). The debt increased mostly because of bond issues for an estimated US$ 17 billion. Bond sales played a key role in the larger economies; in the January-September 1994 period, bonds sold by Argentina, Brazil and Mexico represented 85 per cent of the bonds issued by Latin American countries. Eurocommercial and medium-term paper, syndicated loans and supplier credit added to the debt, as well as exchange-rate variations owing to the depreciation of the dollar, especially in relation to the deutsche mark and the yen. In other countries, especially the smaller economies, loans from multilateral bodies and bilateral sources increased their overseas liabilities. On the other hand, Brazil, the Dominican Republic and Ecuador lowered their rate or diminished their indebtedness through debt-reduction operations in the framework of the Brady Plan.

32. The Latin American debt burden continued to decline, as it has since 1987. The coefficient of interest payments, as a percentage of exports of goods and services, remained the same as in the previous biennium, around 20 per cent, which is still high (although it was close to 40 per cent in 1982-1983). In 1994, only six Latin American countries (Costa Rica, Chile, the Dominican Republic, El Salvador, Guatemala and Paraguay) had coefficients lower than or close to 10 per cent, the figure that most analysts consider acceptable; all the others had higher coefficients. Six countries recorded coefficients above or equal to 20 per cent: Nicaragua (110 per cent), Mexico (24 per cent), Brazil (22 per cent), Peru (22 per cent), Argentina (20 per cent) and Honduras (20 per cent).

33. Thanks to the moderate expansion of external debt and the strong growth of exports, Latin America improved its debt/exports ratio to 280 per cent, a figure close to the figure before the debt crisis but still higher than the 1980 figure (250 per cent).

Notes

1/ Comprising those enterprises involved in the production of goods for foreign export.

Table 1. Latin America and the Caribbean: main economic indicators a/

Indicator	1987	1988	1989	1990	1991	1992	1993	1994 b/
Gross domestic product at market prices (index, base year 1980 = 100)	110.6	111.5	112.6	112.9	116.8	120.3	124.2	129.8
Population (millions of inhabitants)	399.3	407.1	415.0	422.9	430.7	438.8	446.9	455.0
Per capita gross domestic product (index, base year 1980 = 100)	95.6	94.5	93.6	92.1	93.6	94.6	95.8	98.4
				Rates of variation (percentage)				
Gross domestic product	3.2	0.8	1.0	0.3	3.5	3.0	3.2	4.5
Per capita gross domestic product	1.2	-1.2	-1.0	-1.6	1.6	1.1	1.3	2.7
Consumer prices c/	209.2	776.8	1 212.6	1 191.7	199.7	419.0	887.6	337.1
Terms of trade (goods)	0.4	-1.3	-0.4	-1.6	-7.1	-5.4	-1.2	2.8
Purchasing power of exports of goods	8.0	9.1	2.3	5.0	-2.5	2.4	5.3	12.4
Current value of exports of goods	14.6	14.7	9.7	9.7	-0.7	5.2	5.1	15.4
Current value of imports of goods	12.6	14.0	6.6	15.8	18.2	23.0	8.4	16.6
				Amount (billions of dollars)				
Exports of goods	88.2	101.2	111.0	121.8	120.9	127.2	133.7	154.3
Imports of goods	67.2	76.7	81.7	94.6	111.8	137.5	149.0	173.8
Trade balance (goods)	21.6	24.5	29.3	27.3	9.1	-10.3	-15.3	-19.5
Balance of profits and interest	-31.3	-34.3	-37.9	-33.1	-31.4	-31.0	-32.9	-33.8
Balance on current account d/	-10.8	-11.2	-6.9	-3.6	-18.8	-37.1	-46.0	-48.4
Balance on capital account e/	15.1	5.5	9.9	17.7	38.0	61.7	65.1	48.9
Global balance f/	4.3	-5.7	3.0	14.1	19.2	24.6	19.1	0.5
Total gross external debt g/	427.6	419.5	423.1	441.5	456.0	474.1	504.5	533.8
Net transfer of resources h/	-16.2	-28.8	-28.0	-15.4	6.6	30.7	32.2	15.2

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information.

a/ Figures for the gross domestic product and consumer prices refer to the group of countries included in table 2 except Cuba (23 countries), and table 4, respectively; data on the external sector correspond to the 19 countries listed in table 10.

b/ Preliminary estimates subject to revision.

c/ Variation from December to December.

d/ Including net unrequited private transfer payments.

e/ Including long- and short-term capital, unrequited official transfer payments, and errors and omissions.

f/ Corresponding to the variation in international reserves (of opposite sign) plus counterpart items.

g/ See notes to table 12.

h/ Corresponding to balance on capital account less balance of profits and interest.

Table 2. Latin America and the Caribbean: total gross domestic product

(Percentages variation based on values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994 a/	1981-1990	1991-1994 a/
Latin America and the Caribbean b/	0.8	1.0	0.3	3.5	3.0	3.2	4.5	12.9	15.0
Oil-exporting countries	2.0	0.2	4.1	4.5	3.2	1.4	3.0	15.1	12.6
Bolivia	3.0	4.4	4.9	4.9	1.9	4.2	4.2	2.4	16.1
Colombia	4.2	3.5	4.0	1.8	3.6	5.3	5.7	43.6	17.4
Ecuador	8.8	0.2	2.0	4.9	3.4	2.2	3.9	20.4	15.2
Mexico	1.2	3.3	4.4	3.6	2.8	0.6	3.5	17.9	10.9
Peru	-8.4	-11.5	-5.6	2.6	-2.3	6.5	12.7	-11.4	20.3
Trinidad and Tobago	-3.1	-0.4	1.9	1.8	-2.3	-1.5	4.1	-19.9	1.9
Venezuela	5.9	-7.8	6.8	9.7	5.8	-0.2	-3.3	4.2	12.0
Non-oil-exporting countries b/	-0.1	1.5	-2.4	2.8	2.8	4.6	5.7	11.3	16.8
South America	-0.1	1.2	-2.7	2.8	2.6	4.7	5.9	10.9	17.1
Argentina	-2.1	-6.2	-0.1	8.9	8.7	6.0	7.1	-8.7	34.4
Brazil	-0.1	3.2	-4.4	0.2	-0.8	4.1	5.7	18.0	9.5
Chile	7.0	9.6	2.8	5.7	9.8	5.6	4.2	31.2	27.7
Guyana	-2.3	-4.8	-2.7	5.8	7.4	8.2	8.5	-22.4	33.4
Paraguay	6.7	5.9	3.1	2.3	1.7	3.9	3.0	36.6	11.4
Suriname	7.8	4.2	0.1	3.5	5.8	-4.5	...	4.8	4.5 a/
Uruguay	0.0	1.3	0.9	3.2	7.7	1.5	4.5	4.7	17.9
Central America and the Caribbean b/	-0.1	4.8	1.3	2.1	4.6	3.4	3.2	15.5	14.5
Bahamas	2.3	2.0	4.8	-3.2	1.0	2.4	...	31.2	0.1 a/
Barbados	3.6	3.7	-3.2	-4.3	-4.2	-0.4	4.0	9.5	-5.0
Belize	6.3	13.2	10.3	3.0	11.3	3.6	1.6	56.0	20.7
Cuba c/	2.2	0.8	-3.1	-25.0	-14.0	-10.0	...	-3.1	-41.9 a/
Dominican Republic	0.8	11.3	-5.0	0.5	6.8	2.3	4.0	29.9	14.3
Haiti	0.9	1.0	-0.2	-3.0	-14.5	-4.7	-5.0	-3.8	-24.9
Jamaica	2.6	7.0	6.1	0.9	1.4	1.2	0.8	23.8	4.4
Panama	-15.9	-0.2	5.2	9.2	8.4	5.6	4.7	6.3	30.9

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994 a/	1981-1990	1991-1994 a/
Central American Common Market	1.8	3.3	2.3	2.7	5.2	4.4	3.4	9.9	16.6
Costa Rica	3.2	5.5	3.4	2.1	7.3	6.1	4.5	25.1	21.5
El Salvador	1.5	1.1	3.4	3.3	5.3	4.7	6.0	-1.1	20.7
Guatemala	4.0	3.7	2.9	3.5	4.9	3.8	3.7	8.8	16.8
Honduras	4.9	4.7	-0.4	2.3	5.6	6.1	-1.4	25.5	13.1
Nicaragua	-12.4	-1.7	-0.1	-0.2	0.4	-0.9	2.6	-12.8	1.9
OECS d/ countries	8.3	6.1	4.7	3.3	3.8	2.3	2.5	78.7	9.9 e/
Antigua and Barbuda	7.7	6.3	3.5	4.3	1.7	3.4	3.0	86.5	12.9
Dominica	7.4	-1.1	6.4	2.3	2.8	1.8	...	53.5	7.1 e/
Grenada	2.4	5.8	5.2	3.6	1.2	-1.3	2.1	61.8	5.6
Saint Kitts and Nevis	9.8	6.7	3.0	3.8	3.0	4.5	3.0	75.0	15.1
Saint Lucia	12.7	8.5	4.4	2.3	7.1	3.1	1.5	93.5	14.7
Saint Vincent and the Grenadines	8.6	7.2	7.0	3.1	6.5	1.4	3.2	87.0	14.9
Latin America and the Caribbean, excluding Cuba and Brazil	1.3	-0.2	2.9	5.2	4.8	2.8	4.0	10.4	17.9

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information; figures were converted into dollars at constant 1980 prices.

Note: Totals and subtotals exclude, where applicable, those countries for which no information is provided; three dots (...) indicate that data are unavailable.

a/ Preliminary estimates, subject to revision.

b/ Excluding Cuba.

c/ Referring to total social product.

d/ Organization of Eastern Caribbean States.

e/ 1990-1993.

Table 3. Latin America and the Caribbean: per capita gross domestic product

(Percentage variation based on values at 1980 prices)

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994 a/	1981-1990	1991-1994 a/
Latin America and the Caribbean b/	-1.2	-1.0	-1.6	1.6	1.1	1.3	2.7	-7.9	6.9
Oil-exporting countries	0.0	-1.8	2.1	2.4	1.2	-0.5	1.1	-7.1	4.3
Bolivia	0.7	2.1	2.5	2.5	-0.6	1.7	1.7	-16.6	5.4
Colombia	2.3	1.7	2.2	0.1	1.9	3.6	4.0	17.9	9.8
Ecuador	6.2	-2.2	-0.3	2.5	1.1	0.0	1.7	-6.6	5.3
Mexico	-0.7	1.4	2.5	1.7	0.9	-1.2	1.7	-4.3	3.1
Peru	-10.2	-13.2	-7.5	0.6	-4.1	4.4	10.6	-28.9	11.3
Trinidad and Tobago	-4.3	-1.2	0.2	0.7	-3.4	-2.6	3.0	-29.9	-2.5
Venezuela	3.1	-10.2	4.2	7.1	3.4	-2.4	-5.4	-19.4	2.2
Non-oil-exporting countries b/	-1.9	-0.4	-4.2	1.0	1.0	2.7	3.8	-8.5	8.8
South America	-1.8	-0.5	-4.4	1.1	1.0	3.0	4.2	-8.2	9.6
Argentina	-3.5	-7.5	-1.4	7.5	7.3	4.8	5.8	-21.2	28.0
Brazil	-1.9	1.3	-6.2	-1.5	-2.5	2.3	3.9	-3.6	2.1
Chile	5.2	7.7	1.1	3.9	8.0	3.8	2.5	11.7	19.5
Guyana	-2.4	-4.8	-2.8	5.4	6.4	7.2	7.5	-25.8	29.1
Paraguay	3.4	2.7	0.1	-0.6	-1.1	1.1	0.2	-0.8	-0.4
Suriname	6.5	3.3	-1.4	2.3	4.6	-5.6	...	-7.0	1.1 e/
Uruguay	-0.6	0.7	0.3	2.6	7.1	0.9	3.9	-1.4	15.2
Central America and the Caribbean b/	-2.3	2.4	-1.0	0.3	2.0	0.9	0.8	-7.9	4.5
Bahamas	0.5	1.1	2.0	-4.8	-0.7	0.7	...	7.7	-4.7 e/
Barbados	3.2	2.8	-3.0	-4.6	-4.6	-0.8	3.6	6.1	-6.4
Belize	3.6	12.2	5.6	0.4	8.5	1.0	-1.0	20.5	8.8 e/
Cuba c/	1.2	-0.2	-4.0	-25.7	-14.7	-10.7	...	-4.0	-43.4 e/
Dominican Republic	-1.4	8.9	-7.0	-1.5	4.7	0.4	2.1	4.1	5.7
Haiti	-1.1	-1.0	-2.2	-4.9	-16.2	-6.6	-6.9	-20.6	-30.8
Jamaica	2.1	6.1	6.0	11.9	-0.1	-0.5	-0.9	11.6	10.2
Panama	-17.6	-2.2	3.1	7.2	6.4	3.6	2.8	-13.6	21.4

	Annual rates of variation							Cumulative variation	
	1988	1989	1990	1991	1992	1993	1994 a/	1981-1990	1991-1994 a/
Central American Common Market	-0.8	0.6	-0.4	-0.1	2.2	1.5	0.5	-14.9	4.1
Costa Rica	0.4	2.6	0.7	-0.4	4.6	3.6	2.1	-5.8	10.2
El Salvador	-0.3	-0.8	1.4	1.2	3.0	2.4	3.7	-13.5	10.7
Guatemala	1.0	0.8	0.0	0.6	1.9	0.8	0.8	-18.2	4.1
Honduras	1.7	1.6	-3.4	-0.7	2.5	3.0	-4.2	-8.2	0.4
Nicaragua	-14.5	-4.3	-3.1	-3.6	-3.4	-4.7	-1.3	-33.5	-12.4
OECS d/ countries	7.9	5.2	4.3	2.7	3.0	1.9	1.3	70.2	7.7 e/
Antigua and Barbuda	9.4	4.6	3.5	4.3	0.1	3.4	1.4	77.8	-2.0
Dominica	7.7	-2.0	7.9	2.3	2.8	1.8	...	60.0	7.1 e/
Grenada	2.2	4.9	5.7	3.4	0.9	-1.5	1.9	58.2	4.7
Saint Kitts and Nevis	10.3	7.7	3.0	3.8	3.0	7.0	0.5	95.8	15.1
Saint Lucia	11.1	7.5	2.4	1.0	5.7	1.8	0.2	67.3	8.8
Saint Vincent and the Grenadines	7.6	6.2	5.9	2.2	5.6	0.5	2.3	71.3	10.8
Latin America and the Caribbean, excluding Cuba and Brazil	-0.7	-2.2	0.9	3.3	2.8	0.9	2.1	-10.0	9.3

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information; figures were converted into dollars at constant 1980 prices.

Note: Totals and subtotals exclude, where applicable, those countries for which no information is provided; three dots (...) indicate that data are unavailable.

a/ Preliminary estimates, subject to revision.

b/ Excluding Cuba.

c/ Referring to total social product.

d/ Organization of Eastern Caribbean States.

e/ 1990-1993.

Table 4. Latin America and the Caribbean: variations in consumer price indexes

(December-December variations)

	1986	1987	1988	1989	1990	1991	1992	1993	1994
Latin America and the Caribbean	63.9	209.2	776.8	1 212.6	1 191.7	199.7	419.0	887.6	337.1 a/
Argentina	81.9	174.8	387.7	4 923.3	1 343.9	84.0	17.6	7.7	3.7
Barbados	-0.5	6.3	4.4	6.6	3.4	8.1	3.4	-1.0	-0.6 b/
Bolivia	66.0	10.7	21.5	16.6	18.0	14.5	10.5	9.4	8.5
Brazil	58.6	394.6	993.3	1 863.6	1 584.6	475.8	1 149.1	2 489.1	929.3
Chile	17.4	21.4	12.7	21.4	27.3	18.7	12.7	12.2	8.9
Colombia	21.0	24.0	28.2	26.1	32.4	26.8	25.2	22.6	22.5
Costa Rica	15.4	16.4	25.3	10.0	27.3	25.3	17.0	9.0	19.9
Dominican Republic	6.5	25.0	57.6	41.2	100.7	3.9	6.7	2.7	12.0
Ecuador	27.3	32.5	85.7	54.3	49.5	49.0	60.2	31.0	25.4
El Salvador	30.3	19.6	18.2	23.5	19.3	9.8	20.0	12.1	8.9
Guatemala	21.4	9.3	12.3	20.2	59.6	10.2	14.2	11.6	11.6
Haiti	-11.4	-4.1	8.6	10.9	26.1	6.6	18.0	39.3	...
Honduras	3.2	2.9	6.6	11.4	36.4	21.4	6.5	13.1	28.8
Jamaica	10.4	8.4	8.9	17.2	29.7	80.2	40.2	30.1	32.6 c/
Mexico	105.7	159.2	51.7	19.7	29.9	18.9	11.9	8.0	7.1
Nicaragua	747.4	1 347.0	33 548.0	1 689.0	13 490.0	775.0	3.5	19.5	12.4
Panama	0.4	0.9	0.3	-0.2	0.8	1.1	1.6	0.9	1.4
Paraguay	24.1	32.0	16.9	28.5	44.1	11.8	17.8	20.4	18.3
Peru	62.9	114.5	1 722.6	2 775.3	7 649.6	139.2	56.7	39.5	15.3

	1986	1987	1988	1989	1990	1991	1992	1993	1994
Trinidad and Tobago	9.9	8.3	12.1	9.3	9.5	2.3	8.5	13.5	5.5
Uruguay	70.6	57.3	69.0	89.2	129.0	81.3	59.0	52.9	44.1
Venezuela	12.7	40.3	35.5	81.0	36.5	31.0	31.9	45.9	70.8

Source: On the basis of information provided by official national institutions.

Note: Three dots (...) indicate that data are unavailable.

a/ Excluding Haiti.

b/ Corresponding to the variation between August 1993 and August 1994.

c/ Corresponding to the variation between October 1993 and October 1994.

Table 5. Latin America and the Caribbean: real effective exchange rate indexes for exports a/

Country	1978	1979-1981	1982-1985	1986	1987	1988	1989	1990	1991	1992	1993	1994 b/
Argentina	102.7	68.2	99.5	100.2	122.4	129.7	143.1	100.0	83.3	77.5	74.4	76.3
Bolivia	69.7	65.5	53.3	67.9	69.8	74.1	71.9	100.0	108.3	116.1	119.9	126.3
Brazil	100.1	123.4	135.0	160.7	156.8	143.2	108.4	100.0	118.5	126.5	111.3	96.2
Chile	58.6	50.1	57.5	88.4	96.3	102.0	96.4	100.0	98.9	94.8	96.1	95.0
Colombia	54.1	51.1	50.9	77.0	85.2	86.5	88.8	100.0	101.0	89.5	83.3	76.3
Costa Rica	61.7	79.7	95.5	95.7	99.6	104.0	98.0	100.0	108.3	103.1	100.6	101.9
Dominican Republic	87.8	85.9	108.6	105.2	130.2	151.0	109.2	100.0	100.6	101.2	98.0	95.9
Ecuador	47.4	47.0	54.8	68.7	78.8	92.3	94.6	100.0	95.2	94.7	83.9	77.6
El Salvador	151.2	134.8	91.8	117.9	99.7	86.9	82.8	100.0	98.4	98.2	87.5	82.8
Guatemala	55.7	54.9	51.5	65.2	84.1	85.0	85.4	100.0	87.9	86.5	87.8	84.6
Haiti c/	86.7	82.4	70.7	75.0	88.2	93.1	96.4	100.0	92.8	96.2	110.2	...
Honduras	70.6	66.4	55.3	56.6	60.3	60.4	56.1	100.0	107.9	102.2	111.5	125.9
Mexico d/	89.0	76.4	100.5	130.4	135.2	110.0	103.2	100.0	91.1	83.8	78.8	80.3
Nicaragua	278.0	239.3	104.0	24.9	3.1	125.4	150.0	100.0	112.0	104.7	106.8	103.2
Paraguay e/	70.4	52.4	68.0	86.2	93.1	96.5	101.9	100.0	86.9	91.1	93.6	94.5
Peru	252.3	218.4	198.3	208.1	189.8	195.8	122.1	100.0	82.1	81.4	88.7	84.0
Uruguay	84.7	62.1	69.9	78.1	80.6	86.7	86.3	100.0	88.1	83.9	74.6	73.0
Venezuela	50.9	46.1	47.2	62.7	83.9	81.2	96.1	100.0	93.9	89.1	87.8	93.5

Source: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; prepared on the basis of consumer price indexes.

Note: Three dots (...) indicate that data are unavailable.

(Footnotes on following page)

(Footnotes to table)

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a/ Corresponding to the average indexes of the real exchange rate (official principal) between the currency of each country and the currencies of its main training partners, weighted by the relative participation of each of those countries in the exports of the country under analysis. These weightings correspond to the average for the period 1989-1992. For the methodology and sources used, see Economic Survey of Latin America, 1981 (United Nations publication, Sales No. E.83.II.G.2).

b/ January-September average.

c/ From 1987 onwards, the commercial exchange rate was used.

d/ The exchange rate used was as follows: median rate between the average selling and buying rates declared by the main commercial banks to the Bank of Mexico up to July 1982; preferential rate for commodity imports from August to November 1982; median rate between the selling and buying rates in the controlled market from November 1982 to November 1991; and interbank exchange rate from November 1991 onwards.

e/ The free or parallel exchange rate was used.

Table 6. Latin America and the Caribbean: exports of goods, free on board

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/
Latin America and the Caribbean	174	5.2	5.1	15.4	78	-2.8	-1.3	5.6	222	8.3	6.4	9.3
Oil-exporting countries	148	-0.7	5.2	16.0	71	-3.7	--	5.6	208	3.2	5.2	9.9
Bolivia	96	-20.0	16.7	27.5	55	-18.0	-6.6	5.5	174	-2.4	25.0	20.8
Colombia	224	-3.3	2.3	20.1	91	-10.4	-4.4	15.0	247	8.0	7.0	4.5
Ecuador	143	5.5	-3.5	24.0	54	-1.4	-3.9	4.5	263	7.0	0.4	18.8
Mexico	223	2.5	9.1	15.1	77	-0.5	6.2	5.0	291	3.0	2.8	9.7
Peru	115	4.7	-0.6	29.9	105	-1.3	-8.0	7.0	109	6.0	8.1	21.3
Venezuela	82	-6.5	1.7	10.4	56	-7.4	-6.2	2.0	147	0.9	8.4	8.1
Non-oil-exporting countries	202	10.4	5.0	14.9	85	-2.9	-2.4	5.7	238	13.8	7.6	8.7
South America	216	10.5	4.7	15.7	82	-3.2	-2.9	5.3	264	14.3	7.7	9.9
Argentina	196	2.1	7.0	20.2	83	1.7	2.0	2.0	236	0.5	4.9	17.8
Brazil	216	14.2	7.4	12.3	80	-3.6	-2.0	5.5	271	18.5	9.6	6.4
Chile	244	11.9	-7.9	25.0	85	-8.2	-10.7	10.0	289	21.9	3.2	13.6
Paraguay	310	-7.7	17.8	2.0	100	-4.6	-7.0	1.0	309	-3.2	26.7	1.1
Uruguay	181	6.1	-3.4	16.4	89	-0.6	-6.0	1.5	203	6.8	2.8	14.7
Central America and the Caribbean	146	9.8	6.9	10.5	111	-0.9	-0.4	9.9	131	10.6	7.5	0.5
Costa Rica	216	14.4	13.6	11.2	86	-4.6	1.2	11.0	253	19.9	12.2	0.1
Dominican Republic	62	-14.0	-6.4	12.3	69	-6.7	-5.3	8.0	89	-7.9	-1.1	3.9
El Salvador	76	-0.2	24.7	12.0	87	-9.0	5.1	21.0	87	9.7	18.7	-7.4
Guatemala	107	4.4	5.6	19.5	99	-6.0	2.5	14.0	107	11.0	3.1	4.8
Haiti	21	-55.2	9.6	-43.8	66	-8.0	1.5	10.0	32	-51.3	7.8	-48.9

/...

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/
Honduras	112	0.6	0.4	12.3	110	-1.0	2.3	19.0	102	1.6	-1.9	-5.6
Nicaragua	73	-16.8	19.7	23.6	66	-28.9	12.3	9.0	112	17.1	6.6	13.5
Panama	249	20.9	4.9	7.3	160	2.0	-3.0	5.0	156	18.6	8.2	2.2

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information.

Note: A dash (--) indicates that the amount is nil or negligible.

a/ Preliminary estimates.

Table 7. Latin America and the Caribbean: imports of goods, free on board

(Indexes 1980 = 100 and annual rates of variation)

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/
Latin America and the Caribbean	192	23.0	8.4	16.6	111	2.7	-0.2	2.7	173	19.7	8.7	13.6
Oil-exporting countries	218	24.8	3.2	13.9	116	1.3	2.5	3.8	187	23.2	0.8	9.8
Bolivia	194	29.4	3.6	3.4	108	3.0	-1.2	3.0	180	25.6	4.8	0.5
Colombia	259	32.6	50.7	22.0	112	1.6	-1.2	2.0	231	30.5	52.5	19.6
Ecuador	119	-7.2	13.5	14.4	80	1.1	-1.2	3.0	149	-8.2	14.8	11.1
Mexico	312	26.2	1.5	20.3	120	0.9	4.6	2.0	259	25.0	-2.9	17.9
Peru	182	15.9	-0.2	38.8	147	0.3	-0.6	2.5	124	15.5	0.4	35.4
Venezuela	71	25.5	-13.4	-30.0	97	1.0	-1.9	3.0	73	24.3	-11.7	-32.0
Non-oil-exporting countries	172	21.0	14.4	19.6	106	4.3	-2.8	2.4	162	16.1	17.8	16.7
South America	171	20.7	17.4	23.5	103	5.0	-3.5	2.3	165	14.9	21.7	20.7
Argentina	212	81.0	13.6	28.3	132	2.1	-3.7	2.5	161	77.3	18.0	25.1
Brazil	146	-2.2	24.9	29.0	92	1.1	-3.1	2.0	157	-3.2	29.0	26.5
Chile	199	25.6	10.2	7.0	108	1.6	-2.4	2.0	185	23.6	12.9	4.9
Paraguay	296	9.4	2.7	6.6	77	6.3	-3.1	3.0	387	2.9	6.1	3.6
Uruguay	151	25.7	12.8	15.3	98	-0.1	-3.7	2.0	154	25.8	17.2	13.0
Central America and the Caribbean	176	21.8	5.6	6.8	120	1.4	0.7	2.9	147	20.2	4.6	3.8
Costa Rica	205	30.3	18.0	7.9	89	-0.3	-0.6	3.0	228	30.7	18.7	4.8
Dominican Republic	148	26.0	-2.8	6.2	121	2.2	-1.1	2.0	123	23.3	-1.6	4.1
El Salvador	230	22.6	12.5	15.7	155	1.2	0.5	3.0	149	21.2	11.9	12.3
Guatemala	165	39.1	2.3	2.3	101	1.2	0.3	2.0	160	37.4	2.0	0.2
Haiti	44	-34.4	-11.2	-20.0	96	0.9	--	1.0	46	-35.0	-11.2	-20.8

/...

	Value				Unit value				Volume			
	Index	Rates			Index	Rates			Index	Rates		
	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/	1994 a/	1992	1993	1994 a/
Honduras	117	7.7	9.9	3.3	87	0.6	2.6	3.0	134	7.1	7.1	0.3
Nicaragua	90	12.0	-14.5	9.3	120	3.0	5.6	2.0	75	8.8	-19.0	7.0
Panama	223	18.8	5.9	7.1	149	2.6	2.7	3.0	150	15.9	3.1	4.0

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information.

Note: A dash (--) indicates that the amount is nil or negligible.

a/ Preliminary estimates.

Table 8. Latin America and the Caribbean: terms of trade (goods), free on board/free on board

(Indexes: 1980 = 100 and rates of variation)

	Indexes				Annual rates of variation				Cumulative variation	
	1991	1992	1993	1994 a/	1991	1992	1993	1994 a/	1981-1990-	1991-1994 a/
Latin America and the Caribbean	73	69	69	71	-7.1	-5.4	-1.2	2.8	-21.0	-10.8
Oil-exporting countries	65	62	60	61	-13.2	-5.1	-2.4	1.7	-25.0	-18.3
Bolivia	66	53	50	51	-10.8	-20.4	-5.5	2.6	-25.9	-31.2
Colombia	84	74	72	81	-5.9	-11.8	-3.2	12.7	-10.9	-9.5
Ecuador	71	69	67	68	-13.1	-2.4	-2.9	1.5	-18.3	-16.0
Mexico	62	61	62	64	-11.5	-1.4	1.6	2.7	-30.2	-8.9
Peru	75	74	69	72	-6.0	-1.6	-7.5	4.4	-20.0	-10.5
Venezuela	66	61	58	56	-21.0	-8.3	-4.4	4.1	-16.1	-31.5
Non-oil exporting countries	83	77	77	80	-0.5	-6.9	3.6	3.6	-17.0	-3.7
South America	83	76	77	79	0.5	-8.0	2.9	2.9	-17.5	-4.0
Argentina	60	60	63	63	-8.1	-0.5	6.0	-0.5	-34.6	-3.5
Brazil	87	83	84	87	5.5	-4.6	1.2	3.5	-17.7	5.3
Chile	88	80	73	79	2.2	-9.6	-8.5	7.9	-13.8	-8.8
Paraguay	155	139	134	131	-2.1	-10.4	-4.0	-1.9	58.6	-17.3
Uruguay	94	93	91	91	-6.2	-0.5	-2.4	-0.5	-0.1	-9.4
Central America and the Caribbean	90	88	87	93	-2.1	-2.2	-1.0	6.7	-8.2	1.1
Costa Rica	91	87	88	95	-10.9	-4.2	1.8	7.8	1.6	-6.3
Dominican Republic	62	56	54	57	-1.8	-8.7	-4.3	5.9	-37.4	-8.9
El Salvador	51	46	48	57	-1.5	-10.0	4.3	17.7	-48.1	8.9
Guatemala	91	84	86	96	-3.6	-7.2	2.1	11.7	-5.8	2.1
Haiti	68	62	63	68	4.1	-8.8	1.6	8.8	-34.8	4.9
Honduras	111	109	109	126	4.5	-1.6	-0.2	15.5	6.2	18.5
Nicaragua	70	48	51	55	-14.0	-30.9	6.2	6.8	-19.1	-32.5
Panama	111	111	105	106	-2.2	-0.5	-5.6	1.7	14.0	-6.7

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information.

a/ Preliminary estimates.

Table 9. Latin America and the Caribbean: trade balance (goods)

(Millions of dollars)

	Exports of goods FOB a/			Imports of goods FOB a/			Trade balance		
	1992	1993	1994 b/	1992	1993	1994 b/	1992	1993	1994 b/
Latin America and the Caribbean	127 229	133 713	154 315	137 495	149 024	173 821	-10 266	-15 311	-19 510
Oil-exporting countries	55 868	58 760	68 190	74 076	76 469	87 060	-18 208	-17 709	-18 870
Bolivia	608	710	905	1 041	1 078	1 115	-433	-368	-210
Colombia	7 263	7 429	8 925	6 030	9 086	11 085	1 233	-1 657	-2 160
Ecuador	3 008	2 903	3 600	2 048	2 325	2 660	960	578	940
Mexico c/	27 516	30 033	34 565	48 193	48 924	58 880	-20 677	-18 891	-24 315
Peru	3 485	3 463	4 500	4 050	4 043	5 610	-565	-580	-1 110
Venezuela	13 988	14 222	15 695	12 714	11 013	7 710	1 274	3 209	7 985
Non-oil exporting countries	71 361	74 953	86 125	63 419	72 555	86 765	7 942	2 398	-640
South America	61 059	63 936	73 955	47 269	55 503	68 540	13 790	8 433	5 415
Argentina	12 235	13 090	15 740	13 685	15 545	19 950	-1 450	-2 455	-4 210
Brazil	36 103	38 783	43 560	20 578	25 711	33 170	15 525	13 072	10 390
Chile	9 986	9 202	11 500	9 238	10 181	10 895	748	-979	605
Paraguay	1 032	1 216	1 240	1 827	1 876	2 000	-795	-660	-760
Uruguay	1 703	1 645	1 915	1 941	2 190	2 525	-238	-545	-610
Central America and the Caribbean	10 302	11 017	12 170	16 150	17 052	18 225	-5 848	-6 035	-6 055
Costa Rica	1 714	1 947	2 165	2 212	2 610	2 815	-498	-663	-650
Dominican Republic	566	530	595	2 178	2 118	2 250	-1 612	-1 588	-1 655
El Salvador	587	732	820	1 587	1 785	2 065	-1 000	-1 053	-1 245
Guatemala	1 284	1 356	1 620	2 328	2 381	2 435	-1 044	-1 025	-815
Haiti	73	80	45	197	175	140	-124	-95	-95
Honduras	843	846	950	983	1 080	1 115	-140	-234	-165
Nicaragua	223	267	330	771	659	720	-548	-392	-390
Panama	5 012	5 259	5 645	5 894	6 244	6 685	-882	-985	-1 040

Source: Economic Commission for Latin America and the Caribbean, on the basis of information supplied by the International Monetary Fund and by official national institutions.

a/ Free on board.

b/ Preliminary estimates; figures rounded to the nearest 10 or 5.

c/ If values corresponding to the maquiladora industry are included in the total for goods, in line with the latest international recommendations, total exports for 1992, 1993 and 1994, respectively, were US$ 46,196 million, US$ 51,886 million and US$ 60,833 million, total imports were US$ 62,129 million, US$ 65,367 million and US$ 79,365 million, and the corresponding trade balances were US$ -15,933 million, US$ -13,481 million and US$ -18,532 million. If this new method is adopted, the service entries for foreign trade must also be corrected, eliminating the value of the maquila from them.

Table 10. Latin America and the Caribbean: balance of payments
(Millions of dollars)

	Balance of services a/			Balance of profits and interest b/			Unrequited private transfer payments			Balance on current account			Balance on capital account c/			Global balance d/		
	1992	1993	1994 e/	1992	1993	1994 e/	1992	1993	1994 e/	1992	1993	1994 e/	1992	1993	1994 e/	1992	1993	1994 e/
Latin America and the Caribbean	-4 625	-5 165	-3 825	-31 847	-32 905	-33 795	8 766	7 423	8 710	-37 172	-45 958	-48 420	61 682	65 088	48 935	24 510	19 130	515
Oil-exporting countries	-1 440	-352	805	-15 431	-16 310	-17 670	4 331	3 470	3 750	-30 748	-30 901	-31 985	33 171	37 991	16 285	2 423	7 090	-15 700
Bolivia	-151	-137	-130	-193	-202	-190	23	21	20	-754	-686	-510	780	823	575	26	137	65
Colombia	-116	-63	170	-1 939	-1 650	-1 870	1 747	1 136	840	925	-2 234	-3 020	167	2 213	3 075	1 092	-21	55
Ecuador	-265	-295	-560	-805	-773	-820	0	0	0	-110	-490	-440	132	962	800	22	472	360
Mexico	2 689	3 735	4 115	-9 839	-10 924	-12 095	2 908	2 591	2 895	-24 919	-23 489	-29 400	26 664	29 531	11 010	1 745	6 042	-18 390
Peru	-668	-696	-615	-910	-981	-1 010	0	0	0	-2 143	-2 217	-2 735	2 711	2 662	5 850	568	445	3 115
Venezuela	-2 929	-2 936	-2 175	-1 745	-1 780	-1 685	-347	-278	-5	-3 747	-1 785	4 120	2 717	1 800	-5 025	-1 030	15	-905
Non-oil exporting countries	-3 185	-4 813	-4 630	-15 616	-16 595	-16 125	4 435	3 953	4 960	-6 424	-15 057	-16 435	28 511	27 097	32 650	22 087	12 040	16 215
South America	-5 228	-7 232	-7 065	-13 873	-15 078	-14 805	2 873	2 251	2 990	-2 438	-11 626	-13 465	24 259	23 322	29 865	21 821	11 696	16 380
Argentina	-2 307	-2 486	-2 690	-3 656	-3 075	3 650	749	537	350	-6 664	-7 479	-10 200	11 213	10 047	10 600	4 549	2 568	-400
Brazil	-3 224	-5 104	-5 040	-8 082	-10 258	-9 395	2 047	1 653	2 595	6 266	-637	-1 450	8 802	9 041	14 390	15 068	8 404	12 940
Chile	98	5	145	-1 860	-1 503	-1 435	74	61	40	-940	-2 416	-645	3 487	2 838	3 145	2 547	422	2 500
Paraguay	15	75	145	-88	-101	-130	3	0	5	-865	-686	-740	919	774	1 040	-146	88	300
Uruguay	190	278	375	-187	-141	-195	0	0	0	-235	-408	-430	238	622	670	3	214	240
Central America and the Caribbean	2 043	2 419	2 435	-1 743	-1 517	-1 320	1 562	1 702	1 970	-3 986	-3 431	-2 970	4 252	3 775	2 805	266	344	-165
Costa Rica	166	233	260	-201	-193	-205	86	86	80	-447	-537	-515	587	518	295	140	-19	-220
Dominican Republic	1 030	1 235	1 310	-243	-220	-145	347	362	420	-478	-211	-70	504	522	-80	26	311	-150
El Salvador	-21	27	35	-104	-117	-90	702	823	1 000	-423	-320	-300	482	465	445	59	145	145
Guatemala	127	59	15	-179	-110	-90	339	310	380	-757	-766	-510	738	879	510	-19	113	0
Haiti	-36	-45	-55	-9	-10	-10	44	75	45	-125	-75	-115	76	35	85	-49	-40	-30
Honduras	18	29	20	-318	-321	-270	61	48	40	-379	-478	-375	371	335	350	-8	-143	-25
Nicaragua	-62	-56	-30	-495	-429	-465	10	25	30	-1 095	-852	-855	1 096	771	900	1	-81	45
Panama	821	937	880	-194	-117	-45	-27	-27	-25	-282	-192	-230	398	250	300	116	58	70

(Source and footnotes on following page)

(Source and footnotes to table)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information supplied by the International Monetary Fund and by official national institutions.

a/ Not including net payments of profits and interest.

b/ Including interest due.

c/ Including short-term capital, unrequited official transfer payments, and errors and omissions.

d/ Corresponding to the variation in international reserves (of opposite sign) plus counterpart items.

e/ Preliminary ECLAC estimates; figures rounded to the nearest 10 or 5.

Table 11. Latin America and the Caribbean: net capital inflow and transfer of resources

(Billions of dollars)

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services a/ (5)=(3)/(4) (5)
			Latin America and the Caribbean		
1975-1979 b/	104.9	44.5	60.4	287.4	21.0
1975-1979 c/	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.2	-26.8	113.6	-23.6
1985	3.1	35.3	-32.2	108.6	-29.7
1986	9.9	32.4	-22.5	94.8	-23.7
1987	15.1	31.3	-16.2	108.0	-15.0
1988	5.5	34.3	-28.8	123.1	-23.4
1989	9.9	37.9	-28.0	136.4	-20.5
1990	17.7	33.1	-15.4	150.6	-10.2
1991	38.0	31.4	6.6	151.3	4.4
1992	61.7	31.0	30.7	161.3	19.0
1993	65.1	32.9	32.2	170.4	18.9
1994 d/	49.0	33.8	15.2	197.3	6.8
			Oil-exporting countries		
1975-1979 b/	43.6	18.2	25.4	140.9	18.0
1975-1979 c/	8.7	3.6	5.1	28.2	18.0
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.1	9.1
1982	3.8	17.2	-13.4	55.6	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.3	-19.0	59.5	-31.9
1985	-2.7	15.1	-17.8	55.0	-32.4
1986	2.5	13.2	-10.7	44.4	-24.1
1987	4.7	12.9	-8.2	52.5	-15.6
1988	0.9	13.0	-12.1	53.9	-22.4
1989	4.6	14.9	-10.3	62.3	-16.5
1990	7.7	13.3	-5.6	74.2	-7.5

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services a/ (5)=(3)/(4) (5)
1991	26.7	13.7	13.0	73.7	17.6
1992	33.2	15.4	17.8	74.9	23.8
1993	38.0	16.3	21.7	79.2	27.4
1994 d/	16.3	17.7	-1.4	92.3	-1.5
			Non-oil-exporting countries		
1975-1979 b/	61.3	26.3	35.0	146.5	23.9
1975-1979 c/	12.3	5.3	7.0	29.3	23.9
1980	18.5	10.6	7.9	50.3	15.7
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.5	-5.2	47.3	-11.0
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.3	19.2	-11.9	50.4	-23.6
1987	10.4	18.4	-8.0	55.5	-14.4
1988	4.6	21.3	-16.7	69.2	-24.1
1989	5.3	23.0	-17.7	74.1	-23.9
1990	10.0	19.8	-9.8	76.4	-12.8
1991	11.3	17.7	-6.4	77.6	-8.2
1992	28.5	15.6	12.9	86.4	14.9
1993	27.1	16.6	10.5	91.2	11.5
1994 d/	32.7	16.1	16.6	105.0	14.1

Source: Economic Commission for Latin America and the Caribbean, on the basis of information supplied by the International Monetary Fund and by official national institutions (1994).

a/ Percentage.

b/ Cumulative.

c/ Average.

d/ Preliminary estimates.

Table 12. Latin America and the Caribbean: total disbursed external debt a/

	Year-end balance (millions of dollars)								Annual rates of variation (percentage)				
	1987	1988	1989	1990	1991	1992	1993	1994 b/	1979-1981	1982-1983	1984-1992	1993	1994 b/
Latin America and the Caribbean	427 561	419 530	423 052	441 486	456 036	474 127	504 488	533 765	22.9	11.2	3.2	6.4	5.8
Oil-exporting countries	188 333	186 072	181 052	191 498	205 187	207 664	224 810	238 740	24.7	10.7	2.6	8.3	6.2
Bolivia c/	4 278	4 043	3 492	3 768	3 582	3 784	3 777	4 230	14.3	9.4	2.0	-0.2	12.0
Colombia	17 047	17 359	17 007	17 556	16 975	16 833	18 602	21 445	28.0	16.0	4.4	10.5	15.3
Ecuador	10 320	10 581	11 322	11 856	12 271	12 122	12 806	12 960	21.0	18.3	5.7	5.6	1.2
Mexico d/	102 400	100 900	95 100	101 900	114 900	114 000	127 400	136 000	30.2	11.9	2.2	11.8	6.8
Peru	15 373	16 493	18 536	19 996	20 990	21 710	22 127	23 055	1.0	13.8	6.4	1.9	4.2
Trinidad and Tobago	2 082	2 012	2 400	2 520	2 433	2 215	2 098	2 250	29.3	16.3	5.0	-5.3	7.2
Venezuela e/	34 833	34 684	33 195	33 902	34 036	37 000	38 000	38 800	24.7	4.0	0.7	2.7	2.1
Non-oil-exporting countries	241 228	233 458	242 000	249 988	250 849	266 463	279 678	295 025	21.4	11.7	3.7	5.0	5.5
South America	209 825	201 012	206 752	213 878	215 617	230 760	244 362	259 250	21.9	11.1	3.6	5.9	6.1
Argentina	58 324	58 473	63 314	60 973	63 700	65 000	68 000	75 000	41.9	12.4	4.2	4.6	10.3
Brazil	121 174	113 469	115 096	123 439	123 910	135 949	145 660	151 500	14.4	10.6	3.7	7.1	4.0
Chile	20 660	18 960	17 520	18 576	17 319	18 964	19 655	21 470	30.5	7.6	0.6	3.7	9.2
Guyana	1 736	1 778	1 801	1 812	1 856	1 871	1 906	1 950	28.1	17.8	7.7	1.9	2.3
Paraguay	2 043	2 002	2 027	1 695	1 666	1 279	1 217	1 255	12.3	24.5	-1.5	-4.8	3.1
Uruguay	5 888	6 330	6 994	7 383	7 166	7 697	7 914	8 075	35.9	21.1	6.0	2.8	2.0
Central America and the Caribbean	31 403	32 446	35 248	36 110	35 232	35 703	35 316	35 775	18.2	16.1	4.8	-1.1	1.3
Costa Rica	4 384	4 470	4 488	3 930	4 015	4 050	4 052	4 100	12.8	14.7	1.5	0.0	1.2
Dominican Republic	3 899	3 883	4 090	4 482	4 572	4 426	4 500	4 030	24.2	14.0	3.3	1.7	-10.4
El Salvador c/	1 880	1 913	2 169	2 226	2 216	2 338	1 958	1 960	17.7	8.4	2.4	-16.3	0.1
Guatemala	2 700	2 599	2 731	2 602	2 561	2 500	2 086	2 095	19.0	24.8	1.7	-16.6	0.4
Haiti c/	752	778	803	841	809	819	830	870	21.0	21.7	4.5	1.3	4.8
Honduras	3 773	3 810	3 374	3 547	3 174	3 538	3 762	3 920	17.5	16.7	5.6	6.3	4.2
Jamaica	4 014	4 002	4 038	4 152	3 874	3 678	3 647	3 660	22.6	14.9	2.6	-0.8	0.4
Nicaragua c/	6 270	7 220	9 741	10 616	10 312	10 806	10 987	11 600	27.1	21.5	12.4	1.7	5.6
Panama c/	3 731	3 771	3 814	3 714	3 699	3 548	3 494	3 540	9.0	13.8	1.3	-1.5	1.3

Source: Economic Commission for Latin America and the Caribbean, on the basis of official information.

a/ Including debt owed to the International Monetary Fund.

b/ Preliminary figures.

c/ Public-sector debt

d/ From 1991 onwards, figures for the private debt have been adjusted to take account of the privatization process and the elimination of the exchange-control system.

e/ Total debt according to figures supplied by official sources and international financial institutions.

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REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

Summary of economic and social developments in the region of the Economic and Social Commission for Western Asia, 1994

SUMMARY

Economic and social developments in the region covered by the Economic and Social Commission for Western Asia (ESCWA) in 1994 were affected by several major factors, including a decline in international oil prices; continuation of the United Nations economic sanctions on Iraq; the Middle East peace process; and the armed conflict in Yemen.

The fall in oil prices precipitated a decline in oil revenues in most of the 10 oil-exporting ESCWA member countries, which in turn negatively affected the balance of trade and government budgets and obliged Governments to curtail planned expenditure. The continuation of the sanctions on Iraq have severely obstructed economic and social developments in the country for several years. In addition, countries that traditionally had strong economic and trade relations with Iraq, such as Jordan, continued to suffer from the negative effects of these sanctions in 1994. On the other hand, the signing of the peace treaty between Jordan and Israel on 26 October 1994 has so far resulted in the restoration of water and land to Jordan and an increase in tourism and tourism-related construction in that country. In addition, Jordan was granted some debt relief. The armed conflict in Yemen in May and June 1994 cost this least developed country billions of dollars in damage to infrastructure, in

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addition to human losses, and exacerbated the country's socio-economic problems.

After growing by an annual rate of 3.7 per cent in 1993, the aggregate gross domestic product (GDP) of the ESCWA region is estimated to have registered a negative growth rate of -0.4 per cent in 1994. This overall decline in GDP in the ESCWA region is mainly attributable to poor economic performance in the Gulf region. The countries of the Gulf Cooperation Council (GCC), whose economies remain greatly dependent on the contribution of their respective oil sectors, witnessed a negative growth of 1.7 per cent in their aggregate GDP in 1994. Among this group of countries, only Kuwait registered a positive growth rate in 1994 (4 per cent), while the other GCC members recorded negative growth rates ranging from -2.7 per cent in Saudi Arabia and -2.5 per cent in the United Arab Emirates to -1.0 per cent in Oman and -1.8 per cent in Bahrain. Meanwhile, the GDP of the more diversified economies of the region, excluding Iraq (for lack of data), is estimated to have registered a positive growth rate of 3.7 per cent in 1994, up from 3.4 per cent in 1993. Among this group of countries, Yemen (the region's least developed country) was the only country to register a negative growth rate (estimated at -1.5 per cent) in 1994. The other countries in this group achieved positive growth rates, ranging from 6.0 per cent in Lebanon and 5.7 per cent in Jordan to 3.8 per cent in Egypt and 3.5 per cent in the Syrian Arab Republic. It may be noted, however, that only Egypt's economy grew at a faster rate in 1994 than it had in the preceding year.

High unemployment rates continued to be a severe problem confronting most of the more diversified economies, particularly the economies of Yemen and the West Bank and Gaza Strip, where unemployment rates are estimated at 30 per cent. Unemployment rates are estimated at over 12 per cent in Jordan and over 15 per cent in Egypt. In addition, the problem of underunemployment is prevalent in many ESCWA countries, particularly those with dominant public sectors. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven to be difficult to implement. It is estimated that expatriate labour currently represents 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and about 60 per cent in both Bahrain and Oman.

Inflation is another problem that continued to confront some of the more diversified economies in 1994, particularly Yemen, where the inflation rate is estimated at over 70 per cent, and Iraq, which suffered from runaway inflation. Egypt and Jordan, on the other hand, were able to continue their progress in reducing their inflation rates to the generally acceptable levels of 7.5 per cent and 4.2 per cent, respectively. In the GCC countries, the inflation rate remained subdued in 1994, ranging from 4.5 per cent in the United Arab Emirates to 0.6 per cent in Saudi Arabia.

As has been the norm for many years, countries with more diversified economies exported less than they imported in 1994, thus registering considerable trade balance deficits. Most of these countries depend heavily

on labour remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994, estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, the outflow of remittances by expatriate workers and net payment for other services and transfers have resulted in current account deficits in 1994 in all GCC countries, with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

Efforts were made in most ESCWA member countries to narrow budget deficits and reduce them in relation to GDP in 1994. Among the more diversified economies, only Egypt and Jordan were successful in this endeavour. The GCC countries, witnessing continued declines in their government revenues, which are heavily dependent on oil revenues, curtailed government expenditure, primarily by postponing or cancelling planned projects. Since actual budget cuts were not sufficient to restore fiscal soundness, non-oil revenues were sought in 1994 in several GCC countries. Government subsidies were reduced and fees have been charged and/or increased for various government services.

As is the case in many developed and developing countries in the world, privatization is being undertaken in countries of Western Asia, albeit at a very slow pace. Governments are moving cautiously in privatizing public-sector companies, owing to their concern about the negative effects this process may have, at least in the short run, on both employment and prices and hence on social well-being. Egypt is leading the privatization process in the more diversified economies and Oman in the Gulf subregion.

In 1994, economic reform and liberalization programmes continued to progress steadily in several ESCWA member countries, most notably in Egypt, Jordan and the Syrian Arab Republic. Yemen, however, postponed the implementation of major economic reform and restructuring policies to 1995, as it attempted to first tackle the adverse socio-economic conditions precipitated by the two-month armed conflict in the country. In Egypt and Jordan, efforts continued to alleviate some of the negative social conditions exacerbated by the implementation of structural reform programmes. Endeavours to reduce unemployment and alleviate poverty by various social development funds, though commendable, have proven to be insufficient. Other specific measures and policies, as well as support from the international community, are needed.

Stock markets were rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed extremely well in 1994, growing by 140 per cent in United States dollar terms. Given the successful economic liberalization programme and the expected acceleration of privatization, similar performance is projected for 1995. In the light of current globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

CONTENTS

		Paragraphs	Page
I.	OVERALL ECONOMIC PERFORMANCE	1 - 25	5
II.	SECTORAL DEVELOPMENTS	26 - 67	10
III.	SOCIAL DEVELOPMENTS	68 - 78	19

I. OVERALL ECONOMIC PERFORMANCE

1. Overall economic performance in the region covered by the Economic and Social Commission for Western Asia (ESCWA) declined sharply in 1994, owing mainly to the recession experienced by the Gulf Cooperation Council (GCC) countries. 1/ Economic activity, as measured by gross domestic product (GDP) in the region, excluding Iraq, is estimated to have recorded a negative growth rate of -0.4 per cent in 1994, down from a positive growth of 3.7 per cent in 1993. This negative performance came about despite the noticeable improvement in the international economic environment, as reflected in the continued robust growth in the United States economy and the end of the recession in Western Europe. The general improvement in the world economy did not spill over to the ESCWA region in 1994, owing mainly to modest growth in world oil demand, the continued downward trend in oil prices and trade barriers facing the industrial exports of the region, particularly petrochemicals. Moreover, at the regional level the continued depressed state of regional cooperation, continued United Nations economic sanctions on Iraq and the armed conflict in Yemen were additional constraints on economic growth in 1994. However, measures to contain fiscal imbalances and intensified efforts to implement economic reforms, including a more prominent role for the private sector, have continued in 1994. With more emphasis given to streamlining fiscal policies, government expenditure has been cut, hence reducing public investment and contributing to the contraction in economic activities, particularly in the GCC countries.

2. In the GCC countries, the recessionary trends that started in 1993 became stronger in 1994, where the combined GDP of this group of countries is estimated to have registered a negative growth rate of -1.7 per cent, down from a positive growth of 3.8 per cent in 1993. Economic activities in the GCC countries have been affected by the 2.4 per cent decline in oil revenues, the cut in public spending and the continued repercussions of the Gulf war, which led to fiscal imbalances in most countries of this group.

3. Bahrain's economy slowed down considerably in 1994, with GDP growth falling from positive 4.6 per cent in 1993 to negative -1.8 per cent. The cut in public spending, lower oil revenues and a cut in grants from neighbouring countries, particularly Saudi Arabia and Kuwait, were the main factors behind the contraction in economic activities, despite the improvement achieved in exports of aluminium, which benefited from the rise in world prices.

4. There was a sharp drop in economic growth in Oman in 1994. Aggregate GDP is estimated to have recorded a negative growth rate of -1 per cent, down from 4 per cent in 1993. A drop in oil revenues and a contractionary fiscal policy, reflected in a 10 per cent cut in public expenditure, were the main factors behind the decline in economic activity in 1994. The economy of Qatar continued to perform poorly in 1994, registering a negative growth rate of -2.0 per cent, owing to both an estimated 5 per cent drop in oil revenues and reduced public spending.

5. The economy of Kuwait continues to suffer from the negative repercussions of the Gulf crisis of 1990-1991, as reflected in the ongoing repair of vital services and industries and the sharp increase in defence expenditure. The

economy slowed down considerably in 1994, achieving a growth rate of only 4 per cent, down from 22.6 per cent in 1993, owing mainly to a large budget deficit that led to abrupt cuts in public investment and to the completion of essential repair and reconstruction of damaged facilities.

6. Saudi Arabia's economic performance in 1994 was negatively affected by a cut of approximately 12 per cent in public expenditure, a 4.3 per cent drop in oil prices and a 0.6 per cent decline in oil production. These factors led to a contraction of economic activity during 1994 despite the continued strong performance of the private sector. The cut in public expenditure has especially affected the construction and agricultural sectors, the former owing to a freeze on new government projects and the latter owing to a reduction in government subsidies. Preliminary estimates point to a negative growth rate of -2.7 per cent in 1994, down from a positive 1.6 per cent growth rate in 1993.

7. In the United Arab Emirates, GDP is estimated to have registered a negative -2.5 per cent growth rate in 1994, compared with a positive growth rate of 1.0 per cent in 1993. This was attributed to a 3.5 per cent decline in the oil sector, which contributes 37 per cent of GDP, and zero growth in public spending. It occurred despite continued improvement in both the non-oil sectors, particularly the construction and manufacturing sectors, and re-export activities, which are estimated to have achieved a 5.6 per cent growth rate in 1994.

8. In the more diversified economies, 2/ the expansion of 1993 continued in 1994. The combined GDP of this group of countries registered a 3.7 per cent growth rate, compared with 3.4 per cent in 1993. The highest growth in this group was estimated to have been achieved by Lebanon (6.0 per cent), followed by Jordan (5.7 per cent), Egypt (3.8 per cent) and the Syrian Arab Republic (3.5 per cent). This group of countries demonstrated a better overall performance than the GCC countries in 1994, owing to the more diversified nature of their economies, which are relatively less dependent on the oil sector even though both Egypt and the Syrian Arab Republic are oil-exporting countries. Moreover, the continued improvement in the economic situation in this group was mainly due to the improved performance in agriculture and tourism in Egypt and the Syrian Arab Republic; construction and tourism services in Lebanon and Jordan; and increases in workers' remittances in both Jordan and Egypt. Containing the fiscal deficit in Egypt and Jordan has contributed to the general improvement of economic conditions in those countries and has precipitated, particularly in Egypt, an increase in the inflow of private capital.

9. In Egypt, the economy is estimated to have achieved a 3.8 per cent growth rate in 1994, up from 1.8 per cent in 1993, boosted by growth in the agriculture, tourism, construction and services sectors. Remittances also increased in 1994 to $6.16 billion, up from $5.9 billion in 1993, while the number of tourists increased by 3.3 per cent, reaching 2.5 million. As a result of the stabilization programme, budget deficits have been curtailed, narrowing to only 2.6 per cent of GDP during the 1993/94 fiscal year, down from more than 20 per cent before the initial implementation of the structural adjustment programme in 1991. The economy was also helped by the debt cancellation granted as part of the economic reform programme; however, further debt cancellation has been delayed by the disagreement with the International Monetary Fund (IMF) over

the proposed devaluation of the Egyptian pound. Moreover, streamlining of fiscal and monetary policies has helped to both reduce inflation and stabilize the currency, hence inducing an inflow of capital from abroad. The Egyptian Government has initiated a long-term development strategy for the development of Upper Egypt, where unemployment and poverty levels are the highest in the country.

10. In Jordan, GDP is estimated to have grown by 5.7 per cent in 1994, compared with 5.8 per cent in 1993. The signing of a peace treaty between Jordan and Israel on 26 October 1994 resulted in the restoration of water and land to Jordan and an increase in tourism activities and tourism-related construction. However, the construction sector as a whole, which boomed after the Gulf war owing to the return of 300,000 expatriates from the Gulf, grew by only 4.2 per cent in 1994, after registering growth of 12 per cent in the previous year. The economy benefited from an increase in both remittances ($1.3 billion, up from $1.0 billion in 1993) and a 16 per cent growth in exports. In addition, external debt cancellation and/or debt rescheduling by the United States of America and some European countries have reduced Jordan's debt-servicing burden.

11. The Lebanese economy continued its trend towards robust growth despite a slight slow-down, with GDP growing by an estimated 6.0 per cent in 1994, compared with 7.0 per cent in 1993. Economic growth in 1994, as in the previous three years, was led by the construction boom to rebuild the country after years of civil strife and repair vital services and industries, as well as by growth in the agriculture and tourism sectors. Work began on a project to rebuild the Beirut city centre, covering an area of 1.8 million square metres at an estimated cost of $475 million. The Government of Lebanon issued its first Euro-bond worth $300 million, which was later increased to $400 million in response to massive oversubscription. Proceeds from the bond are to be spent mainly on infrastructure projects. Both the improvement in the political climate and reconstruction projects attracted large inflows of foreign capital and thus helped to stabilize the Lebanese currency, which appreciated by 3 per cent versus the United States dollar in 1994. The tourism sector continued to recover, with revenues reaching $500 million in 1994.

12. In the Syrian Arab Republic, economic growth is estimated at 3.5 per cent in 1994, compared with 3.9 per cent in 1993. Economic growth was supported by the agriculture, tourism and oil sectors, as well as by the inflow of private capital induced by investment law No. 10 of 1991. However, the stabilization of oil production at around 575,000 barrels per day (b/d) in 1994 and the 4.3 per cent decline in oil prices reduced oil revenues. Moreover, the economy is still confronted with several major problems, namely inflation, underemployment and a large external debt.

13. In Yemen, the region's least developed country, the economy suffered from a deep recession in 1994, which was exacerbated by armed conflict and a drop in public investment, precipitated by high inflation and unemployment rates. The non-oil sectors, particularly agriculture, performed poorly in 1994. GDP is estimated to have recorded a negative -1.5 per cent growth rate in 1994, down from a positive 2.1 per cent growth in 1993. The economy is in need of a stabilization programme to reduce macroeconomic imbalances: both fiscal deficits and inflation must be contained to stabilize the country's currency,

which plunged to about 100 rials to the United States dollar in the parallel market from 12 rials to the dollar (the official rate).

14. In the West Bank and Gaza Strip, the economy plunged into a recession in 1994, owing to reduced tourism revenue, the repeated closure of the territories by the Israeli authorities, a drop in aggregate demand owing to high unemployment rates, and an inflow of economic aid lower than that agreed upon after the signing of the Declaration of Principles on Interim Self-Government Arrangements (A/48/486-S/26560, annex). GDP, which had been estimated to grow by 2.1 per cent in 1993, is expected to have declined in 1994. The stalemate in the peace process has also discouraged the inflow of private capital to the territories, in addition to the continued drop in workers' remittances. High unemployment remains a serious problem in the West Bank and Gaza Strip, owing to high population growth rates, the repeated closure of the territories, the return of expatriates from the Gulf and economic recession.

15. The main objectives of the economic reform programmes currently under way in the region are to correct macroeconomic imbalances; streamline financial policies; mobilize domestic savings through a more efficient mobilization of domestic resources; upgrade domestic skills; and establish or develop financial markets. Despite the fact that economic reforms have been debated for some time in the region, they were only brought into the forefront of the economic agenda during the late 1980s, in particular after the Gulf war. With lower oil revenues and an increase in military spending precipitated by the war, member States, particularly the GCC countries, faced huge budget deficits. This situation has accelerated the implementation of economic reforms to correct fiscal imbalances by both cutting public spending and raising revenues. However, despite the fact that economic reforms, particularly privatization, have gained momentum in the region in 1994, the process can still be described as modest. Many countries in the region have pursued economic reform policies in a cautious way in order to reduce and minimize their adverse social impact, as reflected in the high inflation and unemployment rates that are already causing problems, particularly in the more diversified economies.

16. In the GCC countries, several new economic measures were introduced in 1994 to reduce growing fiscal deficits. Oman was the first in this group to introduce corporate taxes in 1991, while Kuwait has decided to raise fees on electricity, water, telephone and health services in order to increase revenues and reduce the excessive use of those services. In the United Arab Emirates, among the new measures introduced in 1994 were increased fees and taxes on various services, including visa applications, airport taxes and fees on rental properties. However, a most noticeable development in this group in recent years has been the rapid growth of the non-oil sector, outpacing the performance of the oil sector, which has been hit by lower prices and production. With the exception of Bahrain and Oman, however, economic reform policies introduced in the GCC countries remained very limited in scope and slow in pace.

17. In the more diversified economies, both Egypt and Jordan are applying structural adjustment programmes in cooperation and coordination with IMF and the World Bank. The main objective of the structural adjustment programme in Egypt is to transform the public-sector-dominated economy into a market-oriented one. The main economic policy changes during the past four years have been the

decontrol and unification of the currency exchange rate, the liberalization of interest rates, and the cut in public spending to reduce the budget deficit. Moreover, since 1991 the Government has introduced treasury bills as a means to finance budget deficits instead of borrowing from the Central Bank, hence reducing excess liquidity in the market and concributing to the reduction in inflationary pressures on the economy. However, the implementation of the next stage of economic reform policies in Egypt has been delayed by the disagreement between the Government and the IMF on the currency devaluation and the pace of privatization. While the IMF argues that devaluation will lead to an increase in the country's non-oil exports, the Government believes that there is no need for a devaluation in view of its $17.5 billion international reserves and that while a devaluation would not necessarily increase exports, it would increase the cost of imports. The Government also feels that devaluation will lead to a surge in inflation and a loss of confidence in the Egyptian pound, which in turn may negatively affect transfers of remittances by Egyptian expatriates.

18. In the Syrian Arab Republic, economic reform policies have been pursued with great caution to avert a sharp rise in both inflation and unemployment, which are already major problems confronting the economy. In 1994, an additional package of economic reform was introduced, including the dismantling of export taxes, the gradual removal of foreign-exchange restrictions and further trade liberalization. Despite the fact that investment during the last four years focused on small-scale industries and services, particularly transportation, there is a tendency towards channelling investment funds to industrial fields, such as textiles, building materials, processed food, chemicals and pharmaceuticals. However, a lack of financial resources is one of the major problems facing the private sector and limited investment channels remain a major hurdle. Among the measures under consideration are the modernization of the banking system, the unification and liberalization of the exchange rate, the gradual elimination of subsidies and gradual price decontrol. Recently, the country opened the tourism sector to the private sector, involving joint ventures with the public sector.

19. During 1994, lower economic growth and reduction in fiscal deficits helped most countries in the ESCWA region to curb inflation. In the GCC countries, where inflation rates are traditionally low, with the exception of the United Arab Emirates inflation rates dropped in 1994 compared with 1993, owing mainly to restrictive monetary and fiscal policies, recessionary conditions and stable currencies. Inflation rates in this group of countries ranged from 0.6 per cent in Saudi Arabia and 1.0 per cent in Kuwait to 4.5 per cent in the United Arab Emirates in 1994.

20. Among the more diversified economies, Egypt and Lebanon have been most successful in combating inflation during the past few years. In Egypt, the inflation rate dropped from close to 20 per cent three years ago to about 7.5 per cent in 1994, owing to restrictive fiscal and monetary policies and the general stability of the Egyptian pound. In Lebanon, the inflation rate dropped sharply from about 100 per cent in 1992 to 9 per cent in 1993, before rising to 12 per cent in 1994 pushed by an increase in credit and a surge in capital inflow. In Jordan, the inflation rate also dropped to 4.2 per cent in 1994 from 5.4 per cent in 1993, helped by high interest rates and the ceiling on credit, which was lifted towards the end of the year.

21. On the other hand, in Yemen, where the armed conflict in mid-1994 aggravated the budget deficit and led to the depreciation of the local currency, inflation surged in 1994 to over 70 per cent, up from 55 per cent in 1993. In the absence of a stabilization programme, inflation will continue to be a major problem facing the economy. However, authorities are apparently hesitant to implement such a programme, owing to social and political considerations.

22. Iraq suffered from runaway inflation, precipitated by the continuation of United Nations economic sanctions, that led to a general crippling of economic conditions, including acute shortages in goods and services and the depletion of foreign-exchange reserves. The sharp depreciation of the local currency has aggravated the inflation problem in the country.

23. Unemployment remained a major problem facing the region, particularly in the more diversified economies. Owing to high population growth rates, lower economic growth and the implementation of economic reform policies, countries with more diversified economies have not been able to generate enough jobs to reduce their unemployment rates significantly. The fear of rising unemployment rates has been one of the major factors behind the slow pace of economic reform in most countries of the region. Yet unemployment may still increase in the short run with the implementation of economic reforms, which are associated with both cuts in public spending and privatization.

24. In Yemen and the West Bank and Gaza Strip, unemployment rates are estimated at 30 per cent in 1994. In Jordan and Egypt, preliminary estimates point to rates over 12 per cent in the former and over 15 per cent in the latter. The unemployment situation in the Syrian Arab Republic remains a problem, though the unemployment rate is officially estimated at only 5 per cent. In addition, the problem of underemployment is prevalent in many ESCWA member countries, particularly those with dominant public sectors.

25. Even in some of the GCC countries, many nationals are unemployed. The policy of replacing a portion of the large expatriate labour force with nationals has so far proven difficult to implement. It is estimated that expatriate labour currently represents about 90 per cent of the total labour force in the United Arab Emirates; 83 per cent in Qatar; 82 per cent in Kuwait; 59 per cent in Saudi Arabia; and about 60 per cent in both Bahrain and Oman.

II. SECTORAL DEVELOPMENTS

26. During 1994, the international oil markets remained relatively calm, with oil demand growing by a meagre 1.5 per cent over its 1993 level of 67.2 million barrels per day (mbd). World oil demand continued to be constrained by the drop in economic activities in the former Soviet Union, despite the growing demand in Western Europe, particularly Germany, the United Kingdom of Great Britain and Northern Ireland and the United States of America. Demand continued to show strong growth in Asia, particularly in China.

27. On the supply side, production increased from non-Organization of Petroleum Exporting Countries (OPEC) sources, particularly from the North Sea region. Non-OPEC supply increased by almost 1.5 per cent in 1994 to 41.2 mbd, up from

its 1993 level of 40.6 mbd. OPEC production averaged 24.97 mbd in 1994, representing a 1.2 per cent increase over its 1993 level of 24.68 mbd.

28. Oil production in the ESCWA region increased by 2.8 per cent in 1994 to an average of 15.97 mbd, up from 15.54 mbd in 1993, mainly as a result of the increase in oil production in Yemen, Iraq, Kuwait, Egypt and Oman by 51.0 per cent, 24.6 per cent, 10.7 per cent, 2.6 per cent and 3.9 per cent, respectively, and despite a slight fall in the production levels of Saudi Arabia and the United Arab Emirates by 1.15 per cent and 0.6 per cent, respectively.

29. After tumbling by more than 11.3 per cent in 1993 owing to weak world oil demand, oil prices continued their downward trend in 1994, falling by 4.3 per cent to an average of $15.6 per barrel, down from $16.3 per barrel in 1993. 3/ The oil price decline in 1994 may be attributed to the rise in non-OPEC oil production, generally stable world oil demand and continued improvement in energy efficiency. Oil prices in 1994 were $5.4 short of the OPEC reference price of $21 per barrel. Moreover, oil prices in 1994 reached their lowest level since 1988, when oil prices plunged to $14.24 per barrel, and remained lower in real terms than their 1974 level of $10.4 per barrel. This declining trend in oil prices resulted mainly from an increase in oil production by non-OPEC sources, lower than expected world oil demand and production over quota levels by some OPEC countries. Non-OPEC oil production in 1994 absorbed more than 75 per cent of the increase in world demand and hence prevented oil prices from rising.

30. Oil revenues in the ESCWA region are estimated to have declined in 1994 by 1.4 per cent to $74.3 billion, down from their 1993 level of $75.4 billion, despite the 2.8 per cent increase in production. Of the 10 oil-exporting countries in the region, only Kuwait and Yemen managed to increase their oil revenues by increasing production enough to compensate for the fall in oil prices. The continuous decline in oil revenues in the region has put heavy pressure on the financial situation in almost all ESCWA member countries and has thus negatively affected macroeconomic performance. For example, the 1994 oil revenues of the region's major oil-exporting countries, namely Saudi Arabia, Kuwait and the United Arab Emirates, represented only 38 per cent, 66 per cent and 65 per cent, respectively, of their 1980 level in current prices, while in constant prices that ratio was considerably lower.

31. Proven oil reserves in the region in 1994 fell by 0.7 per cent to 569.4 billion barrels, down from their 1993 level of 573.4 billion barrels, owing mainly to the 2.6 per cent drop in the proven oil reserves of Kuwait and 0.7 per cent drop in Qatar's proven oil reserves. The proven oil reserves of Oman and the Syrian Arab Republic rose by 2.7 per cent and 47 per cent, respectively, while proven oil reserves in the rest of the region remained unchanged. Proven oil reserves in the ESCWA region represented about 74 per cent of OPEC proven oil reserves and almost 57 per cent of the world total in 1994. Furthermore, proven oil reserves in the region can sustain the 1994 oil production level for another 98 years, compared with 85.1 years for members of OPEC and only 40 years for the world, which means that the importance of the region as an oil producer and exporter will grow in years to come.

32. The ESCWA region remained a large importer of agricultural products. The value of agricultural imports was estimated at US$ 15.4 billion in 1993, a 2.7 per cent increase over the previous year. The value of the food gap was estimated at US$ 10.6 billion, representing an increase of 2.6 per cent over 1992. The gap represented 28.5 per cent of the total food gap, compared with 33 per cent in 1992. The main importers of agricultural products in the region are Saudi Arabia, Egypt and the United Arab Emirates, whose imports represented 56.5 per cent of the ESCWA region's total imports in 1993. Egypt, the Syrian Arab Republic, Jordan, Lebanon and Saudi Arabia are the main exporters of some agricultural products, such as cotton, horticultural products and cereals.

33. The self-sufficiency ratio in cereals improved in 1993 as a result of increased production relative to consumption. Cereals production in the region in 1993 represented 61.4 per cent of total consumption, compared with 57 per cent in 1992, while the production of wheat represented 63.7 per cent of total consumption, compared to 58 per cent in 1992.

34. In Egypt, 1994 wheat production fell by an estimated 8 per cent to 4.4 million tons. The Government expects the country to produce three quarters of its total domestic requirements of wheat by the late 1990s. Imports of wheat and wheat flour in 1994/95 are forecast at 5.8 million tons, some 300,000 tons more than in the previous year, while imports of coarse grains (mainly maize) are expected to increase by 200,000 tons to reach 2 million tons.

35. Output of wheat and barley in Iraq in 1994 totalled 2.7 million tons. While the 1994 output was similar to the 1993 harvest, it represented an increase of 138 per cent over the 1989 level. This achievement was the result of both doubling the cultivated area from 1,500 hectares in 1989 to 3,000 hectares in 1994 and the increase in productivity per hectare. This performance is remarkable given the continued shortages in farm equipment and supplies.

36. In Jordan, production of cereals in 1994 is estimated at 82,000 tons, virtually unchanged from the previous year. Domestic cereal production normally covers about 10 per cent of the country's consumption requirements and the balance is imported, mostly on commercial terms. Imports of wheat and coarse grains in 1994/95 are projected to increase by 7,000 tons and 100,000 tons, respectively, to 720,000 and 670,000 tons.

37. In Lebanon, wheat production in 1994 is estimated at 40,000 tons, lower than the 1993 level and less than 10 per cent of total requirements. Thus, about 700,000 tons of cereals (mainly wheat) must still be imported in the year ending June 1995.

38. In Saudi Arabia, the 1994 wheat output is estimated at 2.2 million tons, or 38.8 per cent less than that of 1993, owing to new measures introduced by the Government to reduce the wheat-planted area in favour of barley. Restrictions on wheat production and marketing were imposed for the first time in 1994; large commercial agricultural firms were given production quotas well below their previous level of production. Production of barley in 1994 is expected to increase by about one third to reach 1.5 million tons.

39. In the Syrian Arab Republic, as a result of the large cultivated area and favourable weather conditions, production of wheat in 1994 is estimated at 3.64 million tons, similar to the previous year's harvest, which enabled the country to become self-sufficient in wheat. The output of the barley crop is estimated to be about 100,000 tons lower than that of the previous year.

40. In Yemen, the recent armed conflict has aggravated the already precarious food supply situation. In some areas, crops have been neglected and summer and fruit crops were not irrigated, causing a total loss of production. The import requirement of cereals in 1994, mainly wheat, is estimated at 1.7 million tons, an increase of about 10 per cent over 1993.

41. Most ESCWA member countries introduced some privatization measures in marketing and trade of agricultural products as part of a broad policy shift towards market liberalization and reform, yet wheat-price support policies are being maintained in most countries. All countries have subsidized consumer purchases of wheat, flour and bread, which has helped transform the region into a mature wheat market where per capita consumption is among the highest in the world. In some countries, recent policy reforms included reducing or eliminating consumer subsidies for staples, including some types of bread.

42. Five ESCWA member countries have signed the final act of the Uruguay Round multilateral trade negotiations, namely, Bahrain, Egypt, Kuwait, Qatar and the United Arab Emirates. Efforts are being made by member countries to minimize the negative impact of the General Agreement on Tariffs and Trade (GATT) agreement, particularly in areas of textile exports and food imports. Since most of the ESCWA countries are food importers, the implementation of the GATT agreement will result in higher food import bills due to restrictions on agricultural subsidies. For example, to reduce the negative impact on its 1994/95 wheat imports, Egypt imported in 1994 about 5 million tons from its 1994/95 total wheat requirements before the end of 1994, thus saving about 471 million Egyptian pounds.

43. The manufacturing sector in the ESCWA region witnessed a poor performance on the whole in 1994, with manufacturing income contracting by an average of close to 1 per cent, down from 1.5 per cent in 1993. This was mainly due to the deterioration in economic and manufacturing conditions in Iraq, caused by United Nations economic sanctions. Elsewhere in the region, manufacturing activities experienced a slow-down in 1994, influenced partly by faltering overall economic activity in many countries as a result of the continued weak oil markets, the slow pace in the implementation of economic reforms and slow progress in the peace process. Growth in manufacturing income, excluding Iraq and the West Bank and Gaza Strip, averaged around 1.5 per cent in 1994, down from 3.5 per cent in 1993. In Iraq, manufacturing activity is estimated to have contracted by 24 per cent in 1994. In the West Bank and Gaza Strip, the slow-down in overall economic activity in both 1993 and 1994 had negative effects on manufacturing investment and demand for domestic manufactured goods.

44. Modest expansion in manufacturing activities, excluding Iraq and the West Bank and Gaza Strip, is due mainly to the growth achieved by the private sector; additional efforts in GCC countries to promote non-oil private sector activities in manufacturing; and the progress achieved in reconstruction works in the

manufacturing sectors in Kuwait and Lebanon. Expansion in manufacturing was stimulated in some countries by increased activity in other commodity-producing sectors in response to increased demand for consumption goods in the domestic market.

45. In the GCC countries, growth in manufacturing income averaged around 2 per cent in 1994, compared with 2.5 per cent in 1993. The relatively low growth rates are mainly attributed to the low growth in oil-related manufacturing income. This was partly offset by the strong domestic non-oil private sector activities that began to expand following the end of the Gulf crisis and is expected to continue so in the coming years. While growth is expected to continue in such activities as food and beverages, it will slow down in sectors that are influenced by public sector expenditure, such as the construction industry. The performance of the export-oriented industries, particularly petrochemicals, plastics and metal products, will depend on the ability of manufacturers to benefit from better growth prospects in the main export markets as well as the gradual implementation of the GATT agreement. Nevertheless, despite the significant expansion in light industries in most GCC countries, which has indeed contributed to the growth of the manufacturing sector, expansion to the full potential of the sector continued to be restrained by restrictions imposed on petrochemical exports to the European Union (EU) and by difficulties facing Gulf producers in finding new markets.

46. In the more diversified economies apart from Iraq and the West Bank and Gaza Strip, overall growth in the manufacturing sector is estimated to have slowed down to about 1 per cent in 1994, compared with the 4 per cent recorded in 1993. However, growth performance varied from one country to another. In Jordan and the Syrian Arab Republic, the strong growth in the manufacturing sector was due to improved export performance of the phosphate and pharmaceutical industries in the former, and of the textile, garment and food industries in the latter. In the Syrian Arab Republic and Egypt, there were expansions in private-sector exports of manufactured goods, attributable mainly to the progress made, albeit at a slow pace, in economic reform, particularly in the Syrian Arab Republic. In Jordan, expansion in private construction activities and increased domestic demand continued to be an important contributor to the manufacturing sector.

47. Growth of the manufacturing sector in countries of the ESCWA region continued to be restrained by the lack of adequate investment and the inability to penetrate new export markets. In the short and medium terms, progress made in the implementation of the structural adjustment programmes, the lifting of United Nations economic sanctions on Iraq, improved oil prices and the degree of economic recovery in the GCC countries, improved regional cooperation, and progress in the peace process, are all important factors that will affect the course of manufacturing development and growth in the region.

48. The countries of the ESCWA region are undergoing an important transitional period, the outcome of which will have a profound impact on industrial growth prospects in the short and medium term. In this regard, success in introducing economic reforms, facing the economic challenges of a changing world environment, including the emerging giant economic and trade blocs, the conclusion of the Uruguay Round of multilateral trade negotiations, increasingly

rapid advances in the applications of high technology in industry, and the impact of the peace process on the region will all affect manufacturing prospects. Textile exports will face stiffer competition from other developing countries, particularly exports to the European Union (EU), where the region's textile exports currently have a duty-free access. Most manufacturing industries in the ESCWA member countries are not fully prepared to face the new global challenges. These challenges have arisen at a time when the economies of ESCWA member countries generally suffer from relatively weak and in some cases inefficient industrial sectors, while their manufacturing sectors are in many cases still recovering from the devastating effects of wars and civil strife.

49. The region's exports and imports (excluding Iraq and the Republic of Yemen) changed only slightly during 1993, since the region was affected by low oil prices, a slow-down in economic growth and continued economic sanctions against Iraq. Exports decreased by 1.3 per cent to $97.6 billion, while imports increased by 3.4 per cent over 1992 levels to $90.3 billion. The GCC countries accounted for $90.3 billion of total exports, which represented a decrease of less than 1 per cent over 1992 levels. The largest increase in exports in this group was witnessed by Kuwait, which registered a rise in exports of $3.8 billion (56.8 per cent) as oil exports continued to increase following the complete cessation of the Gulf war, followed by Bahrain with an increase of 6.5 per cent. Other GCC members reported declines that were led by 7.9 per cent in Saudi Arabia, 3.4 per cent in Qatar, 2.4 per cent in Oman and 1.6 per cent in the United Arab Emirates, mainly owing to lower oil prices. Other ESCWA members, namely the more diversified countries, witnessed a decline in exports of $1.1 billion (13.7 per cent), largely influenced by the substantial decline in Egypt's exports of $829 million (27 per cent) due to lower oil prices and limited oil production capacity. Increases, though mainly slight, were reported in Jordan (2 per cent) and the Syrian Arab Republic (1.7 per cent); Lebanon achieved a 12.5 per cent increase. Although data are not available for Iraq, its exports were subject to the terms of the economic sanctions and were therefore minimal.

50. The slight rise in the region's imports reflected an overall increase in the imports of the GCC countries of $2.1 billion (3 per cent) to total $70.1 billion in 1993. Saudi Arabia's imports constituted the bulk of GCC imports, totalling $34.2 billion, an increase of $839 million (2.5 per cent) over 1992 levels. Increases also occurred in the imports of the United Arab Emirates (12.1 per cent), Oman (9.2 per cent) and Qatar (6.2 per cent). These increases largely compensated for the decline in the imports by Bahrain of 10.3 per cent and Kuwait of 12.2 per cent. Kuwait's decline was due to budgetary constraints and cut-backs. The more diversified economies of the region witnessed a decrease in imports of $1.6 billion (7.5 per cent), with imports amounting to $20.2 billion in 1993. Declines in imports by Egypt (2.2 per cent) were offset by increases in imports by the Syrian Arab Republic (18.6 per cent), Jordan (8.7 per cent) and Lebanon (4.7 per cent). Though data is unavailable for Iraq, its imports continued to be adversely affected by the economic sanctions.

51. The region's ability to finance imports from its export proceeds, as measured by the export/import ratio, has been declining since 1991. The ratio for the region declined from 1.11 per cent in 1992 to 1.08 per cent in 1993. On

the group level, the ratio for the GCC countries dropped from 1.34 to 1.29, while that for the more diversified economies declined from 0.39 to 0.36.

52. Partial and preliminary data on the geographical distribution of trade for the first seven months of 1994 showed no major changes in the distribution of the region's exports and imports. Exports to developed market economies continued to make up the bulk of the region's exports, though they decreased on a relative basis from 51.6 per cent to 47.7 per cent, largely due to the decreased importance of exports to the EU by both the GCC countries and the more diversified economies. This continued the trend of a declining value in oil exports to EU countries since the 1980s, as a result of (a) policies by many EU countries to diversify their energy sources, (b) greater energy efficiency, (c) the recent slow-down in economic activity in Europe, and (d) the declining dollar value of oil imports from ESCWA member countries, owing to lower prices in 1993. Exports to the rest of the world increased during the first seven months of 1994, while intraregional exports remained relatively constant at 10.2 per cent.

53. The geographical distribution of imports by the ESCWA region showed a decline in the relative share of imports from the developed market economies from 68 per cent in 1993 to 61 per cent during the first seven months of 1994. This was made up by slight increases in the share of all other regions. Imports from the ESCWA region, however, remained relatively constant, recording only a slight decline from 6.9 per cent to 6.8 per cent. This level has remained lower than the pre-Gulf war level of over 10 per cent in 1989 and 1990.

54. The region's total current account balance (excluding Iraq, Lebanon, Qatar, the United Arab Emirates and Yemen) recorded a deficit of $7.7 billion during 1993, representing a significant improvement over the 1992 deficit, which was over $19 billion. The most significant change in the region was the increase in Kuwait's surplus by $7.2 billion, owing to increases in oil revenues and the completion of financial commitments incurred during the Gulf war. Saudi Arabia's current account balance also improved significantly, its deficit declining by $5.2 billion (26 per cent), also owing to a drop in its financial commitments incurred during the Gulf war. Of the GCC countries, only Kuwait recorded a surplus in its current account balance for 1993. Among the more diversified economies, Jordan reported an improvement in its deficit by 39 per cent, while the current account of both Egypt and the Syrian Arab Republic deteriorated in relation to 1992 levels.

55. As has been the norm for many years, in 1994 the value of the exports of countries with more diversified economies were less than the value of their imports, so that those countries registered considerable balance-of-trade deficits. Most of these countries depend heavily on labour remittances to help finance the trade deficit gap. Egypt, with remittances in the range of $6 billion, was able to register a surplus in its current account in 1994 estimated at $2.8 billion. In the GCC group, most countries registered a surplus in their respective balance of trade. However, outflow of remittances by expatriate workers and net payment for other services and transfers have resulted in current account deficits in 1994 in all GCC countries with the exception of Kuwait and the United Arab Emirates, which are estimated to have registered a current account surplus of $5 billion and $720 million, respectively.

56. The region's international reserves, which have been increasing since 1990, rose during 1993 by $4.4 billion (11.5 per cent) to total $42.3 billion (excluding Iraq, the Syrian Arab Republic and Yemen). The GCC countries' reserves, accounting for the larger share of the region's reserves, totalled $21.3 billion, a very slight increase over 1992 levels, while the more diversified economies showed a significant increase of $4.2 billion, bringing total reserves to $21 billion. Egypt's reserves increased by $2.1 billion (18.3 per cent). Jordan's reserves also increased significantly by $771 million (88.7 per cent), while Lebanon's reserves increased by $1.3 billion (28.5 per cent). Data for the first 10 months of 1994 indicate that the region's reserves continued to rise, albeit at a slower rate.

57. The increase in reserves and the slow growth in imports resulted in an increase in the region's reserves/import ratio from 5.1 months in 1992 to 5.6 months in 1993, indicating a somewhat improved ability of the region to provide for imports in 1993. Estimates for 1994 indicate that the reserve/import ratio increased further to approximately 5.9 months.

58. The external debt of the ESCWA region is estimated to have dropped from about $186 billion in 1993 to about $182 billion in 1994. Compared with other developing regions, the ESCWA region is seen as heavily indebted in terms of GDP (66.6 per cent), export of goods and services (214 per cent) and debt per capita. The latter is estimated at around $814, compared with $780 for Latin America and the Caribbean and $548 for sub-Saharan Africa.

59. The region's external debt had been expected to drop even further in the light of the forgiveness and rescheduling of a significant part of the external debt of a number of the ESCWA region's more diversified countries, namely, Egypt, Jordan, the Syrian Arab Republic and Yemen. However, the rise in the external debt of the GCC countries from around $95 billion in 1993 to over $115 billion in 1994 has not only eliminated those expectations but has also led to an increase in the region's debt-service payments from around $24 billion in 1993 to $30 billion in 1994, mainly because most of the GCC countries' debt is short or medium-term commercial debt bearing relatively high interest rates.

60. Fiscal developments in the GCC countries, particularly Saudi Arabia and Kuwait, were still affected in 1994 by the ramifications of the Gulf crisis and war, while the drop in oil revenues further burdened their budgets. To finance budget deficits, the GCC countries either continued drawing on their foreign reserves or resorted to domestic and foreign borrowing. To reduce the budget deficit in coming years, a number of GCC countries have introduced measures aimed at increasing revenues and reducing expenditure. In Saudi Arabia, the Government's decision to raise the prices of some utilities is seen as an indicator that domestic revenues are planned to play an important role in financing budget expenditure not only in 1995 but also as a long-term fiscal policy aimed at establishing a more diversified domestic revenue base.

61. Saudi Arabian budget expenditures in fiscal 1995 are expected to drop by about 6.3 per cent below revised levels of 1994 and revenues are expected to increase by over 12.5 per cent. In Bahrain, the oil revenues of the biennial 1995-1996 budget are projected to drop by around 40 per cent below the levels of the two preceding years, thus resulting in a budget deficit of almost twice

those recorded in recent years, despite a cut of around 5 per cent in expenditure. In Kuwait, the inclusion of defence expenditure in the budget for the first time resulted in a deficit in the 1994/95 budget by around 23 per cent above the deficit reported in the previous fiscal year. The federal budget of the United Arab Emirates for 1994 projected an expenditure of 17.6 billion dirhams (Dh) and revenues of Dh 16.2 billion, resulting in a deficit of Dh 1.4 billion. The federal budget for 1995 is planned to hold spending at about the same level as 1994.

62. The 1994 budgets of most ESCWA member countries with more diversified economies have been deflationary, with expenditures increasing at a rate below that of inflation, thus reducing expenditures in real terms. However, in 1994 Governments continued to look for alternative means to reduce budget deficits by increasing budget revenues through a reform of revenue-raising measures, such as the improvement of tax collection methods, and/or by reducing expenditures by cutting on subsidies or deferring debt-service payments. Putting the new approach in practice, Egypt's budget for the fiscal year 1994/95 envisages an increase of 8.4 per cent in expenditure against a 10 per cent increase in revenues over the previous budget. Jordan issued a balanced budget in 1994 for the first time, when current expenditure was planned to be covered by domestic revenues, while capital expenditure depends almost entirely on foreign sources (mainly aid and grants). Actual figures released recently, however, revealed a deficit of 156 million Jordanian dinars owing to unmaterialized external aid and grants. In the Syrian Arab Republic, the budget deficit in 1994 was expected to drop by 10.6 per cent below the deficit of 1993, with no grants or concessional loans being projected, as has been the case in previous years.

63. The difficult conditions of the banking sector in the ESCWA region resulted in most banks recording lower profits in 1994 and slower balance sheet growth than in 1993. Most of these conditions have resulted from a liquidity squeeze caused by increased government borrowing. Although the situation of the banking sector improved slightly in late 1994, significant improvement is not expected in 1995. The increased government borrowing from the banking system in many ESCWA member countries has crowded out the private sector, thus limiting its ability to participate in the Government's privatization efforts.

64. To counteract difficulties in the banking sector, a number of ESCWA member countries have been planning a restructuring of their banking sector (Jordan, Egypt, Kuwait and Lebanon) and/or have strengthened their central banks' supervisory capacity and monitoring control of banking activities (Jordan, Egypt, Kuwait and the United Arab Emirates).

65. Banks in the ESCWA region continued to retreat from the international markets to their home markets in 1994, following the more stringent application of the rules and regulations of the single European market by EU member countries.

66. Stock markets have been rejuvenated in several ESCWA member countries in 1994. Plans to establish a stock market are currently being considered in both Lebanon and the Syrian Arab Republic. The Egyptian stock market performed exceptionally well in 1994, growing by 140 per cent in United States dollar terms. In view of the successful economic liberalization programme and expected

acceleration of privatization, a similar performance is projected for 1995. In the light of globalization and privatization trends, the need for a developed and integrated regional stock market is rapidly becoming more apparent.

67. The economic outlook in the region for 1995 largely depends on international oil market conditions, the successful implementation of economic reform policies, the state of regional economic cooperation and progress in the peace process. Although indications are that world oil demand will be higher in 1995, oil prices are expected to remain at current levels owing to an expected increase in oil production from non-OPEC sources, particularly from the North Sea area. In addition, most countries of the region are adopting restrictive fiscal and monetary policies as part of their economic reform programmes, which are expected to affect economic growth adversely in the short run. On the other hand, the private sector in the region is expected to sustain the relatively fast growth it has achieved during the last few years. The contribution of this sector to economic growth in the majority of the countries of the region is expected to be enhanced by the ongoing implementation of economic reform programmes, whereby privatization is encouraged. If the current efforts under way to improve regional cooperation reach a successful conclusion, they will have a positive impact on regional economic growth and development. If significant progress is made in the peace process, the political and economic environments will improve, with tremendous positive effects on economic growth and development in Western Asia. Moreover, the lifting of the United Nations economic sanctions on Iraq will have a considerable positive effect on the economic situation in the country and will also help contribute to the economic growth of those countries that traditionally had strong economic ties with Iraq, particularly Jordan.

III. SOCIAL DEVELOPMENTS

68. The population of the ESCWA region was estimated at 145.4 million in 1994, representing 57.4 per cent of the population of the Arab world and 2.6 per cent of the world total. During the period 1990-1995, the population of the region is estimated to have grown by an average annual rate of 2.7 per cent. However, the average annual population growth rate varied from one country to another. The fastest growth rate was achieved by Jordan (4.9 per cent) and Yemen (5.0 per cent), owing mainly to the influx of returnees as a result of the Gulf crisis.

69. The crude birth rate for the total population of the ESCWA region during 1985-1990 was 35 births per 1,000 of the population, exceeding that of the developing countries (31 per 1,000) and - by a far higher margin - that of the more developed regions. During 1990-1995, the crude birth rate decreased to 34 births per 1,000 of the population, and is expected to continue decreasing slowly and steadily until it reaches 28 births per 1,000 of the population during 2005-2010 and 22 births per 1,000 of the population during 2020-2025.

70. The crude death rate for the ESCWA region, which was 8.5 deaths per 1,000 of the population during 1985-1990, declined to 7.4 deaths per 1,000 of the population during 1990-1995. The rate is expected to continue declining

steadily for each five-year period until it reaches 4.7 deaths per 1,000 of the population in 2020-2025.

71. The life expectancy at birth for the ESCWA region was 65.6 years during 1990-1995, which is higher than the world average (64.7 years). The highest life expectancy rate was achieved by the GCC countries. In Kuwait it reached 74.5 years, followed by Bahrain and the United Arab Emirates (70.4 and 69.9 years, respectively). In Yemen it is still 50 years. By 2020-2025, the life expectancy at birth is projected to increase in all countries but to remain highest in Kuwait (79.4 years), followed by Bahrain and the United Arab Emirates with 70.4 and 69.9 years, respectively, while in Yemen it is expected to reach 67.3 years.

72. During 1990-1995, the infant mortality rate for the ESCWA region was 56 deaths per 1,000 live births. However, in Yemen it was still above 100 per 1,000 (106 per 1,000), and in Egypt it was 57 per 1,000. In Iraq, infant mortality rates rose to dangerously high levels owing to shortages of food and medical supplies. Bahrain had the lowest infant mortality rate in the ESCWA member countries (12 per 1,000), followed by Kuwait (14 per 1,000). The infant mortality rate is expected to decrease slowly but steadily in all the countries of the ESCWA region, and by 2020-2025, it is expected to be highest in Yemen (39 per 1,000), followed by Egypt and Iraq with close to 20 and 19 per 1,000 respectively, while in Bahrain it will drop to 5 per 1,000.

73. All countries of the ESCWA region have started to realize the effects of rapid population growth, its linkages to socio-economic development and the high dependency ratios that result from the young age structure because of high fertility levels. In 1991, these countries were classified into five groups according to their perception of the level of population growth and whether intervention is required. The first group comprises those countries that view their growth rates as too high and have formulated explicit policies to slow them. Only Egypt has had such policies since the mid-1960s; however, although Yemen finds its population growth satisfactory, it has adopted a population strategy intended to reduce its fertility level. The second group comprises the United Arab Emirates and Jordan. These two countries consider their growth rates to be too high but they have no explicit policy in that respect, although Jordan is positively and effectively adopting a birth-spacing policy through an active family-planning programme. The third group, consisting of those countries that consider their population growth rates satisfactory, comprises Bahrain, Lebanon and the Syrian Arab Republic. The Syrian Arab Republic, however, has started preparing for the formulation of population policies: it is supporting family-planning activities that are directed to reducing the high rate of natural population growth and has issued some guidelines that reflect intentions for further action. Similarly, although Lebanon has no explicit policy, family-planning is widespread; moreover, Lebanon has achieved the lowest population growth rates, owing to lower fertility and higher emigration. The fourth group comprises Kuwait, which considers its population growth rate satisfactory but at the same time wishes to raise its fertility level. The fifth and last group comprises countries, such as Iraq, that desire to increase their growth rates by raising fertility levels.

74. Several ESCWA member countries have applied structural adjustment programmes to correct macroeconomic imbalances and transform public-sector-oriented economies into market-oriented ones. Concerned with the adverse social impact of these programmes, such countries have pursued them with caution in order to minimize their negative impact, particularly on unemployment. Several measures were taken to reduce the social impact of the economic reform policies being implemented in several countries, particularly Egypt and Jordan.

75. In Egypt, contractionary fiscal and monetary policies and reform under way in the public sector have resulted in the reduction of the number of public-sector employees from 1,078,379 in fiscal year 1990/91 to 1,013,667 in fiscal year 1991/92, a decrease of 6.4 per cent. This trend is expected to continue at the same if not a higher rate due to the privatization efforts that are taking place at present and also as a result of overstaffed public enterprises. The total number of lay-offs is expected to reach 380,000, or about one quarter of all public-sector employees by the end of SAP.

76. The decrease in government subsidies on social goods and services, such as basic food commodities, medical services, water and electricity, education and transport, have resulted in significantly higher costs and hence lowered the real income of the poor. To mitigate the heavy burdens of the poor, the Social Fund for Development (SFD) was established in 1991 as a temporary step to enhance structural adjustment programmes as well as to contribute to social well-being and protect vulnerable and low-income groups. SFD executes six programmes, dealing with public works, community development, enterprise development, employment and retraining, institutional development and public transport. Although all the programmes were created to attend to both the poor and the unemployed, they are not exclusively targeted at these two groups. Some programmes have more emphasis on the poor, while others are more geared to the unemployed. By mid-1994, SFD had contracted 165 projects that were able to create about 64,000 temporary and 153,000 permanent job opportunities, with total financing of 890.2 million Egyptian pounds.

77. Jordan has also taken steps to minimize the adverse social impact of the economic reform programme being implemented in the country. Protection of vulnerable groups from further social deterioration was foreseen in the programme: basic food subsidies for the poor were unaltered and a safety net comprising a fund for employment and development and a fund for national assistance was created in 1990 to assist the most affected vulnerable groups through targeting. However, the main problem that Jordan has faced and continues to face is the increasing rate of unemployed, especially among the poor.

78. Despite the efforts being made by these countries within their limited resources structural adjustment programmes are expected to have a short-term negative impact on unemployment and inflation and hence on poverty.

Notes

1/ Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

2/ Egypt, Iraq, Jordan, Lebanon, Yemen, the Syrian Arab Republic, and the West Bank and Gaza Strip.

3/ Average price of the OPEC seven crudes.

Socio-economic indicatbrs for the ESCWA region, 1992-1994

	1992	1993	1994
Gross domestic product (GDP) a/ at constant 1985 prices b/	265.0	274.8	273.7
GDP growth rate c/	6.8	3.7	-0.4
Population in the ESCWA region b/	120.2	123.0	126.3
Population growth rate c/	2.3	2.6	2.7
Per capita GDP d/	2 204.0	2 234.0	2 165.0
External debt a/	180.0	186.0	182.0
Debt service payment a/	16.2	24.0	30.0
External debt/GDP b/, c/	68.0	67.7	66.5
Exports a/, e/	99.4	97.6	..
Imports a/, e/	89.9	90.3	..
Balance of trade a/, e/	9.5	7.3	..
Current account balance a/, f/	-19.6	-7.7	..
International reserves a/, g/	37.9	42.3	42.5
International reserves/import ratio h/	5.1	5.6	..
Oil production i/	14.9	15.5	15.9
Oil revenues a/	78.1	75.4	74.3
Proven oil reserves j/	574.8	573.4	569.4
Proven oil reserves/total world oil reserves c/	57.7	57.3	57.0
Proven oil reserves/production k/	105.2	100.6	98.0
Natural gas reserves/total world c/	17.0	17.0	17.0
Agricultural imports a/	15.0	15.4	..
Agricultural exports a/	2.8	2.8	..
Agricultural trade balance a/	-12.2	-12.6	..

	1992	1993	1994
Crude birth rate in the ESCWA region l/	35.5	..	35.0
Life expectancy at birth k/	..	..	65.6

Source: Economic and Social Commission for Western Asia, based on national and international sources.

Note: Two dots (..) denote data are incomplete or are not available.

a/ Billions of United States dollars.

b/ Excluding Iraq.

c/ Percentage.

d/ United States dollars.

e/ Excluding Iraq and Yemen.

f/ Excluding Bahrain, Iraq, Lebanon, Qatar and the United Arab Emirates.

g/ Excluding Iraq, the Syrian Arab Republic and Yemen.

h/ Months.

i/ Millions of barrels per day.

j/ Billions of barrels.

k/ Years.

l/ Per thousand.

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REGIONAL COOPERATION IN THE ECONOMIC AND SOCIAL SPHERES AND RELATED AREAS

Project for a Europe-Africa permanent link through the Strait of Gibraltar

Note by the Secretary-General

1. The Secretary-General has the honour to transmit to the Economic and Social Council the report prepared in accordance with Council resolution 1993/60 by the Executive Secretaries of the Economic Commission for Europe and the Economic Commission for Africa on the work that has been done in connection with the project to establish a Europe-Africa permanent link through the Strait of Gibraltar.

2. The Economic and Social Council has taken an interest in this project since 1982 following a decision by the Governments of Morocco and Spain to carry out joint studies on the feasibility of the project as part of an agreement on bilateral cooperation adopted on 24 October 1980. Since then the Council has regularly requested the two regional commissions to keep track of the progress of studies relating to the project and to inform the Council of any developments.

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ANNEX

Project for a Europe-Africa permanent link through the Strait of Gibraltar: report on studies and activities carried out during the period 1993-1994

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 2	4
I. GENERAL CONTEXT OF STUDIES	3 - 4	4
II. EVALUATION OF STUDIES CARRIED OUT BETWEEN 1982 AND 1992	5 - 7	5
III. STUDIES CONDUCTED DURING 1993-1994	8 - 46	5
A. Physical environment	9 - 25	6
1. Bathometry and cartography	9 - 10	6
2. Geotechnical studies	11 - 15	6
3. Geophysics/seabed sampling	16 - 17	7
4. Offshore drilling	18 - 21	7
5. Geological and physiographical studies	22 - 25	8
B. Engineering	26 - 35	9
1. Bridge studies	27 - 29	9
2. Tunnel studies	30 - 35	10
C. Socio-economic studies	36 - 38	13
1. Socio-economic database	36	13
2. Traffic forecasting	37 - 38	13
D. Project feasibility studies	39 - 46	14
1. Baseline studies	39 - 45	14
2. Project evaluation study	46	16

CONTENTS (continued)

		Paragraphs	Page
IV.	OTHER ACTIVITIES	47 - 53	16
	A. Public symposium on the permanent link (Cairo, 5 April 1994)	47 - 52	16
	B. Fourth International Colloquium on the Permanent Link (Seville, 16-18 May 1995)	53	17
V.	PROSPECTS FOR THE DEVELOPMENT OF THE PROJECT	54 - 58	17

INTRODUCTION

1. In its resolution 1993/60 of 30 July 1993, the Economic and Social Council, inter alia, requested the Executive Secretaries of the Economic Commission for Africa and the Economic Commission for Europe to take an active part in the follow-up to the project for a Europe-Africa permanent link through the Strait of Gibraltar and to report thereon to the Council at its substantive session of 1995.

2. This report is a response to that request. It was drawn up jointly by the two regional commissions and gives a brief overview of the main findings of the studies carried out in 1993-1994 with a view to advancing the project. It also takes account of the conclusions of the special symposium on the project which was organized under the auspices of the Economic Commission for Europe and the Economic Commission for Africa by the International Tunnelling Association (ITA) as part of its Annual General Assembly, held in Cairo on 5 April 1994.

I. GENERAL CONTEXT OF STUDIES

3. It should be recalled that studies designed to advance the project have been carried out jointly by the Governments of Morocco and Spain since 24 October 1980, the date on which the two Governments adopted a bilateral agreement on the subject. This agreement, which formally establishes both Governments' commitment to make a joint study of the feasibility of the project, stipulates the creation of a standing intergovernmental Joint Committee which was to be responsible for carrying out the agreement, and two State companies, one in Morocco and the other in Spain, which were to be responsible for conducting the studies. These companies, which have been working alongside the Joint Committee since 1981, are, on the Spanish side, Sociedad de Estudios para la Comunicación Fija a través del Estrecho de Gibraltar (SECEG), which has its head office in Madrid, and on the Moroccan side, Société Nationale d'Etudes du Détroit (SNED), whose head office is in Rabat. The studies are carried out either by the two research companies directly, or through scientific institutions from both countries or national or international firms of consultants and surveyors with whom the companies have concluded agreements or contracts for services.

4. Within the institutional framework mentioned above, which was later strengthened by a Supplementary Agreement of 27 September 1989 complementing and amplifying the previous agreement, the two companies have conducted their programmes of work in several phases. The findings of the feasibility studies currently in progress (1991-1995) will provide both Governments with information on the feasibility of the permanent link viewed in the context of the long-term development of the straits corridor while at the same time making them aware of relevant proposals concerning future programmes which have some bearing on the development of the project.

II. EVALUATION OF STUDIES CARRIED OUT BETWEEN 1982 and 1992

5. It should also be recalled that the studies carried out between 1982 and 1992 were the subject of an evaluation report in 1993 (E/1993/80) pursuant to Economic and Social Council resolution 1991/74 of 26 July 1991. This report was prepared by the two regional commissions on the basis of evaluations made by a number of international experts.

6. According to the evaluation report, the studies carried out between 1982 and 1992 enabled substantial progress to be made in coming to grips with the key aspects of this major project, touching as they did on the physical environment, engineering options and socio-economic evaluations. These studies made it possible, inter alia, to state with a reasonable degree of certainty that no major geological obstacle existed to the construction of a permanent link through the Strait of Gibraltar, regardless of whether the link was a tunnel bored under the sea or a bridge constructed on fixed supports. The studies also made it possible to identify two potential routes, the shallower or so-called "sill route" along which a tunnel or a bridge could be contemplated, and the shorter or so-called "strait route" along which only a bridge would be possible. In other respects, the studies contributed to solid progress in clarifying the respective engineering options in each case. They also highlighted the socio-economic impact of the project on countries other than Spain and Morocco, and hence the multilateral nature of the project.

7. The evaluation report on the studies carried out between 1982 and 1992 also indicated that further research was necessary in certain areas, and a number of recommendations were formulated with that in mind. With reference to the most significant of these, and considering the sheer scale of the project, it was thought indispensable to obtain greater in-depth knowledge of the geology of the submerged part of the strait, particularly in the context of the tunnel option. To achieve this goal, the evaluation report stated that the ideal solution would be to drill a narrow-bore reconnaissance gallery along the entire course decided on for the tunnel. Without such a gallery, it was deemed necessary to conduct offshore geotechnical experimentation and drilling operations. Regarding economic studies, the evaluation report recommended, for example, that a more thorough assessment should be made of the impact of the permanent link at the local and regional level and that the technical, economic and financial feasibility of a partial implementation of the project should be studied.

III. STUDIES CONDUCTED DURING 1993-1994

8. The observations and recommendations made in the evaluation report on the studies carried out between 1982 and 1992 were noted by the companies responsible for undertaking them and adjustments were made to their work programmes as a result. The studies conducted during 1993-1994 therefore sought to expand knowledge in the areas where this had been thought necessary at the time of the evaluation process. A brief description of the most significant studies and their conclusions is given below. The studies are grouped into four general areas, namely, physical environment, engineering, socio-economic analyses and evaluation of the project.

A. Physical environment

1. Bathometry and cartography

9. The 1:5000 bathometric maps available since 1992 which cover the areas of the two possible routes were judged to be remarkable (E/1993/80, para. 17). They were considered quite adequate for the current stage of development of the project and it was therefore not thought necessary to undertake new bathometric surveys during 1993-1994.

10. Meanwhile, a new 1:25000 map of the strait which follows the sectioning and unique referencing system adopted by the Instituto Geográfico Nacional in Madrid and the Division de la Cartographie in Rabat has been completed, and the entire set of 7+7 sheets corresponding to the Spanish and Moroccan coastlines has been made available. It is planned to include bathometry in subsequent editions of the map.

2. Geotechnical studies

11. As recommended by the evaluation report (E/1993/80, paras. 21 and 31), priority was given to the galleries and shafts designed for geotechnical studies on both sides of the Mediterranean.

12. October 1993 saw the completion on the north side of the experimental shaft at Bolonia which, at 74 m deep and 3.3 m in diameter, is primarily intended to yield information about one of the most resistive rock formations in the vicinity of the strait. A number of behaviour parameters of the ground and its effect on the lining were systematically monitored until the end of 1993 using 35 measuring locations; two separate measuring surveys were conducted, one in March and the other in September 1994. The results, which were judged favourable, are being digested and extrapolated in the context of other studies relating to the project.

13. The construction of the experimental gallery at Tarifa, which had been on hold since 1992, was begun in 1994 and is currently at the tunnelling stage. The Tarifa gallery, which is also located on the north side, is a 700-metre-long blind tunnel with a diameter of 3.8 m and 70 m of average overburden; its purpose is to determine the geotechnical characteristics and observe the geomechanical behaviour of a set of geological formations which are considered extremely typical of the project zone. To this end, the gallery contains approximately 80 monitoring locations designed to measure parameters such as convergence, the pressure exerted by the ground on the lining, and the circumferential deformation of the lining with respect to two sections of the tunnel bore.

14. The Malabata experimental shaft located on the south side has been used to conduct various geotechnical experiments and investigations for a number of years. It is a 160 m vertical shaft - the planned depth of the tunnel at this location - with an internal diameter of 2.5 m, supplemented by a system of horizontal galleries of different lengths totalling 180 m which radiate from the bottom of the shaft and have been tunnelled under the seabed. The Malabata

shaft has made possible the study of the geotechnical characteristics and suitability for tunnelling of the various flysch units located in the project area which will reputedly prove resistive during the construction of the tunnel. An additional project involving the deepening of the tunnel to 313 m - equivalent to the lowest point of the tunnel crossing - and the construction at that depth of a gallery approximately 30 m long is currently under consideration.

15. These three projects have made it possible to make a highly accurate study of the geotechnical behaviour of certain formations that present special problems for the project. Although the results of the monitoring are still being interpreted, it can already be said that the ground studied is, in general, conducive to tunnelling by the tunnel-boring machine (TBM), from the stand-point of both impermeability and geomechanical behaviour.

3. Geophysics/seabed sampling

16. The Rift-Argus survey, whose purpose was the de visu exploration and video survey of the bottom of the sill of the strait from a submersible vehicle, was conducted from 5 August to 16 September 1994. The survey made it possible to view the deepest areas of the strait and confirm that at these depths the flysch units are found below the seabed and are covered almost entirely with a recent thin layer of sediment.

17. The so-called GC-94 survey was carried out from 5 to 13 November 1994 with a view to bringing the density of the sampling from the area of the path in the northern platform up to the level of the density of the representative sampling from the southern platform. The survey obtained 510 samples, including 155 flysch units and 355 recent sediments, which made it possible to increase the number of available seabed samples by 37 per cent, bringing the total to 1,866.

4. Offshore drilling

18. Offshore drilling is another activity to which the evaluation report recommended that the highest priority should be given, since such drilling is crucial to the current phase of studies. Knowledge of the thickness of recent sediments in the deep area of the sill and the study of the geological pillars with respect to depth at certain specific points of the path are decisive, indeed indispensable, factors in the final determination of the feasibility of the tunnel option. However, the specific difficulties that the strait's currents pose for offshore-drilling technologies, either by underwater drills or by drilling boats, make it necessary to undertake such surveys with considerable technological uncertainty.

19. Thus, the Short Drilling Survey 94, which was designed to carry out 50 drillings up to 5 m into the "sill route", conducted only about 30 drillings and on average penetrated to a depth of only 2.4 m, with an average net recovery of around 60 per cent. From a geological point of view, the drillings that were conducted on the platforms (at a depth of about 50 m) generally came across

flysch units, while all those carried out in the deepest areas remained in Plio-Quaternary strata.

20. After long preparation, the Deep Drilling Survey 94, which was to carry out eight deep drillings in the sill of the strait, situated at points considered critical or of special interest in the path of the tunnel option, finally got under way in January 1995. These drillings total 1,120 m of penetration, approximately two thirds to be carried out by destructive drilling and one third by core drilling.

21. The partial results obtained from the short and deep borings that have been carried out so far lead one to think, pending confirmation by definitive results, that the Plio-Quaternary strata, which are recent and highly permeable formations, would be superficial and would not jeopardize the construction of the tunnel.

5. Geological and physiographical studies

22. The neotectonic study of the strait, the purpose of which was to determine the deformations in the structural orogeny (after the middle Miocene) in order to contribute to the evaluation of tectonic stability in the area of the project, was carried out between February 1993 and January 1994 on the north side. The main conclusion of the study is that the area studied (approximately between 5° 14' and 6° 05' meridians) has been highly stable since the Pliocene, but at the same time presenting a limited area of relative high elevation between Tarifa and Punta Canales, where the coast underwent a relative heightening since the Oudjian period (100,000 years) estimated at 20 m, which represents a relatively modest rate of elevation on the order of 0.2 mm a year. The corresponding study of the south side has been in progress since June 1993. There are plans to hold meetings between those taking part in the studies of the two sides in order to harmonize methodologies and later combine the two studies into a composite report on the strait and, in particular, the area of the project.

23. The studies of other projects involving flysch units, also recommended by the evaluation study, have resulted in two types of relatively independent activities, namely, the collection of data concerning a group of projects of interest in the Mediterranean basin (Spain, Italy, Greece, Morocco, Algeria, Tunisia) and the participation of the companies in the monitoring during the construction of the Guadiaro-Majaceite hydraulic tunnel (5 m wide, 12 km long), particularly in its section of approximately 5 km in Numidian flysch.

24. The 1988 geological map of the north side is currently being updated. The updating involves, inter alia, the revision of the structural elements (faults, folds, contacts between layers and so on), which will no doubt lead to certain changes in, and new ideas about, the tectonic interpretation of the region. This work, whose progress depends on the availability of specialized teams, is concentrated in the area of the Bolonia arc, which is of particular importance to the project. The geological map of the south side is also being updated.

25. A dating study of the coral formations found in the deepest areas of the strait was begun with a view to determining, in the initial stage, the absolute age of seven samples of coral formation covering the areas of the sill, selected from among the core samples obtained during the Short Drilling Survey 94. The carbon-14 dating of these sediments is of great interest for the project, since it contributes to the assessment of the importance of these coral deposits in which - or near which - tunnelling would not be technically viable owing to their high degree of permeability. So far, results have been obtained on four core samples taken at a depth of approximately 250 m. The results show that the oldest corals analysed are about 30,000 years old. The coral formation in question is therefore relatively recent, falling between the last glaciation (Würms) and - as the presence of living corals demonstrate - modern times. Consequently, any hypothesis attributing the presence of these formations in the deepest areas of the strait to recent tectonic phenomena should be rejected. On the other hand, although pending confirmation, the dating suggests that the thickness of the formations in question is limited and would not affect the feasibility of the tunnel option at a depth of 400 m.

B. Engineering

26. As considered advisable in the evaluation report (E/1993/80, para. 82), the studies concerning the bridge and tunnel alternatives have been continued in parallel.

1. Bridge studies

27. The preliminary pilot project for the bridge solution has been drawn up. The bridge option, developed on the basis of an earlier descriptive study, constitutes the basic "bridge on fixed bearings" type solution favoured by the companies at the current stage of the studies. The solution proposed in the bridge pilot project follows an alignment 27.40 km long almost exactly north-south on the sill of the strait. It consists essentially of two very different parts: on the one hand, a main bridge, 13.65 km long, crossing the deep part of the sill, and on the other, two offshore access viaducts with a total length of 13.75 km linking the Moroccan and Spanish shores to the main bridge. These viaducts consist of 300 m mixed concrete-steel spans supported on piers founded in the seabed to a depth of about 55 m. The main bridge is a suspension bridge comprising three 3,550 m central spans and two 1,500 m side spans allowing 80 m headroom and placed in such a way that the two channels of the maritime traffic separation scheme in the strait would pass under the main side spans. The general characteristics of this bridge are as follows:

(a) The substructure consists of two anchorage pillars founded at a water depth of about 60 m and four gravity base concrete tetrapod piers, resistant to collisions by ships, founded at depths of 140, 315, 280 and 230 m (north-south), the design of which is based on that of large concrete petroleum platforms, as regards both structural aspects and construction methods;

(b) The superstructure, directly supported by the offshore piers, consists of:

(i) Four rigid "A"-shaped pylons - unusual in conventional suspension bridges - rising 480 m above sea level;

(ii) A conventional suspension system, in principle with two 1.07 m diameter carrying cables;

(iii) A twin-deck girder with a total width of 55 m, including 28 m air, incorporating cross bars spaced every 26 m at right angles to the suspension rods.

28. The construction cost of the "Bridge 28" solution has been estimated at about 8.7 billion European currency units (ECUs) (1994) and the construction time at about 19 years, including 4 years of additional studies. The internal rate of return would be about 5 per cent on the capital invested, for start-up in about 2015.

29. The so-called "Bridge 14" solution, crossing the canyon of the strait, has been studied briefly under the contract relating to the bridge pilot project. This "super suspension bridge" consists of: (a) a superstructure comprising two 5 km main spans, two 2.5 km side spans and three pylons rising 646 m above sealevel; (b) a substructure comprising three offshore piers founded at water depths of 95, 480 and 415 m respectively and two end anchorages, one on the Spanish side, in the vicinity of Punta Canales, and the other on the Moroccan side, near Ras Cirès. Although the study of this "superbridge" has been made only on the basis of principles extrapolating the outline and results from the calculations relating to the bridge on the sill of the strait - and therefore without wind tunnel tests - in order for it to be technically feasible only relatively modest technological extrapolations may be needed compared to the "sill" solution.

2. Tunnel studies

30. The preliminary pilot project for the tunnel option, work on which began in early March 1994, is at the stage of the preparation of the final report, a draft of which was presented in December 1994. The structure proposed in the tunnel pilot project is of the "Channel Tunnel" type. With a length between terminals of 42.5 km, it can accommodate regular passenger and freight rail traffic and also motorway traffic, tourism and heavy cargoes, transported roll-on-roll-off on rail shuttle trains. The general characteristics of the structure are as follows:

(a) The longitudinal profile of the structure is a total length of 38.7 km including 27.7 km under the sea, with a maximum gradient of 25:1,000, which would make it possible for the alignment to go to a point 400 m below sealevel, thereby ensuring a minimum ground cover of 100 m at the deepest point where the water depth is 300 m;

(b) The transverse section consists of three galleries: two rail tunnels with a single track 7.5 m in diameter, about 60 m apart, and one service tunnel 4.8 m in diameter, situated midway between the other two tunnels and linked to them by transverse tunnels 3 m in diameter and 340 m apart.

The pilot project includes not only the basic study on the operation of the transport system which is the proposed solution, but also a description of all fixed and movable equipment.

31. One important characteristic of the "tunnel" option which is strongly emphasized in the pilot project is the possibility of building the structure in two stages. The first stage consists of the first rail tunnel and the service tunnel. The second stage supplements the first stage by adding the second rail tunnel. This possibility of carrying out the work in two stages is of great interest from the point of view of the economic feasibility of the project since it provides for a very significant staggering of costs, while ensuring, over a period estimated at 20 to 25 years, a capacity adapted to estimates of traffic requirements, with an acceptable level of service.

32. The conclusions of the preliminary pilot project call for the construction, first, of the undersea section (28 km) of the service tunnel as a reconnaissance gallery, with the dual objective of avoiding all geological and geotechnical hazards in later stages of construction and thereby reducing costs, while minimizing risks by taking advantage of the experience acquired.

33. Thus, based on these conclusions, the preliminary pilot project presents a timetable and cost estimates for three phases of the development of the project, namely, phase 0, construction of the reconnaissance gallery; phase 1, construction of the first rail tunnel and the first stage of the terminals for the operation of the single-track project; and lastly, phase 2, where two-track operations would be introduced through the construction of the second tunnel and the second stage of the terminals. According to this schedule, if all goes as currently planned, the suggested timetable is approximately as follows:

Phase 0: 1997-2002. Construction of the reconnaissance gallery.

Phase 1: 2003-2009. Construction of the first rail tunnel and the first stage of the terminals. Opening of the single-track tunnel: 2010

Phase 2: 2025-2030. Construction of the second rail tunnel and second stage of terminals. Opening of the second tunnel: 2030

34. The cost estimates proposed by the consultant are shown in the summary table below:

Summary of estimated project costs

(in millions of ECUs (MECU), tax- and customs-free, in October 1994 values)

Component	Phase 0	Phase 1	Phase 2	Total
Underground structures	347	659	547	1 553
Terminals	-	217	20	237
Equipment	-	613	414	1 027
Rolling stock (utilized in phase 1)		237	-	237
TOTAL	347	1 726 a/	981	3 054
Additional rolling stock				
purchased during single-track phase				129
purchased during dual-track phase				344
OVERALL TOTAL				3 527

a/ The cost of phase 1 assumes that phase 0 has been completed.

35. A different consultant conducted a study parallel to the preliminary pilot project for the tunnel concerning the programming and estimation of costs for the reconnaissance gallery. The study, which further analysed the costs of this project estimated earlier by the same consultant, generally confirmed the technical feasibility of the construction of the reconnaissance gallery using a tunnel boring machine, and submitted a brief analytical estimate of the costs and time required for its construction, by use of a "duration model" and a "cost model". The results obtained can be summarized as follows:

Scenario	Construction duration (months)	Construction cost (MECU)
Central	42	275
Adverse 1	62	290
Adverse 2	-	320

It should be noted that these cost estimates are significantly lower than the provisional estimates currently being provided by the preliminary pilot project for the tunnel, which foresees a construction period of 56 months and a cost of 347 MECUs (1 MECU = 1 million ECUs). This represents an increase of about one third over the above estimates for the main scenario, both in terms of duration and cost of construction. In the acceptance process during that study and the preliminary pilot project, the companies intend to study the comparisons further and thus to refine the estimates as far as possible.

C. Socio-economic studies

1. Socio-economic database

36. The socio-economic and Europe-Africa traffic database established in the companies' statistical services in 1992 has been significantly expanded by the introduction of a regional component, which should be completed by May 1995. This regional component of the database covers a territorial area on both shores of approximately 27,000 sq km and a population of 4.1 million, within which an area of approximately 6,000 sq km with a population of 1.4 million, where the project's influence would be most intense, can be differentiated. There are plans to complement and refine the information available, especially on the area known as the straits region, where the project is likely to have the greatest local impact.

2. Traffic forecasting

37. In order to update and structurally and statistically improve the model, known as Model 90, for estimating traffic in passengers and goods through the permanent link, as called for in the evaluation report (E/1993/80, paras. 52 and 53), a study to develop this model further was launched in January 1993. The results of this study, which was completed at the end of 1994, represent both the fine-tuning of an updated model - the SETEC 94 model - and the application of this model to a series of multiple variations on the basic hypothesis, in order to obtain predictions of traffic through the permanent link at two baseline horizons, 2005 and 2025. The main variables studied concerned (a) two types of permanent links, the basic "bridge" and "tunnel" options, respectively, and (b) two economic development scenarios, "trend-driven" and "sustained", essentially determined by the growth of the gross domestic product (GDP) in the European and African countries of the study area. The overall results of the forecasts are as follows:

	Passengers (millions; round-trip)		Goods (millions of tons; round-trip)	
	2005	2025	2005	2025
Diverted traffic	4.25	7.58	3.69	6.59
Engendered traffic	0.59	0.97	0.18	0.34
Created traffic	1.22	2.12	0.09	0.96
TOTAL	6.07	10.67	3.97	7.98

It should be noted that, as far as passengers are concerned, these forecasts are considerably lower (by about 40 per cent) than those previously obtained with Model 90. This important fact essentially results from the use in the latest study of a more precise model of the straits corridor, with its maritime shipping lines, which took better account of the competition those lines would offer to a permanent link, particularly the Algeciras-Ceuta route. The permanent link would take over only 57 per cent of the passenger traffic in the straits corridor, although, on the other hand, it would capture 95 per cent of traffic in goods (excluding bulk shipments).

38. In addition to this study, and in order to avoid the constraints arising from the fact that the model mentioned belongs to the consultant, a separate prediction model was also developed on the same general principles and the same statistical and forecasting basis as the other, although a different approach was taken to certain sub-models. The overall results obtained by the two models (evaluated without taking into account traffic created) were found to be consistent for the most part.

D. Project feasibility studies

1. Baseline studies

39. A project evaluation model is being developed by the internal services of the SECEG company. Currently, programming of the sub-models for economic and financial evaluation is under way, the latter using formats for the financial analysis of concessionaires that are in keeping with the accounting rules generally accepted in the European Union.

40. A study of the "no project" alternative was begun in November 1994 in order to contribute to the "benchmark" scenario, the situation if the project were not built. This study is attempting in particular to explore scenarios for the long-term development of the system of maritime ferries through the straits.

41. The updating of the economic analysis known as SETEC 90 conducted in 1990 by the consultant began in July 1994, and the draft of the final report was submitted to the companies in December 1994. The study mainly consists in applying the economic and financial evaluation methodologies used in the pre-feasibility study produced by SETEC-Economics in 1990 to the current definition of the project, expressed essentially by the alternative structures

defined by the preliminary pilot project, and to the traffic estimates resulting from the models recently developed.

42. The results contained in the final report, submitted in provisional form, are clearly negative for the bridge option - considered in the study exclusively for purposes of form - and clearly positive for the tunnel option, carried out in two phases, the first operating with a single tunnel. Indeed, whereas the estimated internal rate of return for start-up of the bridge in 2015 is 6.3 per cent, the estimated rate for the tunnel opening in 2010 is 14.3 per cent. The updated cash flow in 2010 of 9 per cent would be 5,400 MECUs (1993).

43. Still within the tunnel option, given a hypothetical financial arrangement such that the financial cost of the project, estimated at 4,655 MECUs, would be distributed as 33 per cent public funds, 20 per cent project capital and 47 per cent loans, the result would be an internal rate of return on its own capital of 21.6 per cent in nominal terms and 16.2 per cent in real terms, with an updated cash flow in 2010 of 9 per cent, or 10,700 MECUs (1993).

44. The above results correspond to a baseline definition of the project, which is currently undergoing minor adjustments with regard to the acceptance of the preliminary pilot project for the tunnel and models of traffic estimates. These adjustments affect, inter alia, construction costs and timetables, quite likely in the direction of greater feasibility. The final review of these elements is expected to be completed before the definitive acceptance of the studies in April 1995. Moreover, the economic study itself is undergoing final adjustments, from the point of view of both the methodology and the assumptions concerning the arrangements for the model concessionaire on which the financial analysis of the project is based. As before, it is expected that these readjustments will be finalized before the eventual acceptance of the economic study at the end of April 1995.

45. As part of the approval process for that study, the companies reviewed a series of alternatives for the financial analysis of the project, based on hypothetical institutional arrangements consisting essentially - in accordance with the technical principle of anticipating the construction of a reconnaissance gallery that would later comprise the undersea section of the service tunnel for the project - of financing the reconnaissance gallery entirely with public funds. Once it is built, it would be turned over at no charge to the concessionaire, which would then complete the construction of the project without any additional public financial assistance. The results obtained from these internal evaluations of the same hypotheses as in the consultant's provisional report, except where the financial arrangements referred to are concerned, are indicated in the table below. All the variations correspond to a timetable envisioning the beginning of the concession period (including construction of the project) in 2003 and the beginning of project operations in 2010.

Project capital as percentage of financial cost	Concession period in years	Nominal internal rate of return, in per cent	Real internal rate of return, in per cent	Updated cash flow (2020, 9 per cent) in MECU
20	30	21.15	17.06	3 978
20	40	21.87	17.75	6 677
30	30	18.60	14.59	3 823
30	40	19.49	15.45	6 529

2. Project evaluation study

46. The work programme of the companies includes the elaboration of a general project evaluation report in accordance with generally accepted standards for the evaluation of major transport infrastructure projects, including an economic and financial analysis and a brief assessment of the regional and environmental impact on the basis of the works contemplated in the preliminary tunnel pilot project and traffic estimates resulting from the new prediction models available. The terms of reference for this study are being prepared by the companies in two parts, dealing with the economic and financial analysis of the project and its regional and environmental impact respectively. It should be noted that these terms of reference are being prepared in such a way that they can also help to guide the end-of-phase report (feasibility report), which will be prepared by the companies with the cooperation of a group of independent experts, covering the most sensitive aspects of the project's feasibility, and, as necessary, with the help of technical teams from the research offices responsible for the baseline studies.

IV. OTHER ACTIVITIES

A. Public symposium on the permanent link (Cairo, 5 April 1994)

47. At the Annual General Assembly of the International Tunnelling Association (ITA), a public symposium on the project for a permanent link through the Strait of Gibraltar was held in Cairo on 5 April 1994 under the auspices of the Economic Commission for Europe and the Economic Commission for Africa. Participants in the symposium included the two regional commissions and the companies that conducted the studies, together with many officials and experts on tunnel building from Governments and private construction firms, including experts who played an important part in the building of the Channel Tunnel.

48. At the symposium, reports were presented on the main findings of numerous and diverse studies conducted in relation to the project for a permanent link through the Strait of Gibraltar, covering such topics as geology, geotechnical aspects, marine sciences, bridge and tunnel engineering, transport questions, economic and financial analyses and legal aspects, together with the principal findings of the 1993 evaluation of these studies by independent international experts.

49. Many speakers who had participated in either the planning or the building of the Channel Tunnel reported on the lessons learned, experience gained and difficulties faced, particularly during the execution phase of the project.

50. Against the backdrop of these lessons and experiences, a discussion was held at the symposium on the aspects which needed to be carefully studied in preparing a project for a permanent link through the Strait of Gibraltar in order to avoid any problems that might arise later during the construction if these aspects were not attentively and rigorously examined.

51. The best possible understanding of the geology of the seabed of the strait and the geotechnical nature of the rocks that would have to be perforated along the way was definitely considered crucial to a project of this scope, in order to reduce to a reasonable level the risks involved. To this end, studies now in progress on the geotechnical features of the rocks by means of on-site experimental galleries and shafts were deemed to be extremely useful. Offshore drilling in the deep areas of the strait to determine and confirm the presence of continuous flysch units across the entire strait and to determine the thickness of recent sediments were considered to be extremely important, if not crucial, to the final decision on the feasibility of the tunnel.

52. Besides these fundamental aspects, logistical problems and contractual issues were identified as areas which are often regarded as peripheral, and hence are not sufficiently taken into account in infrastructure works; they may, however, create major problems in the case of such large projects as the permanent link.

B. Fourth International Colloquium on the Permanent Link (Seville, 16-18 May 1995)

53. This Colloquium, initially scheduled for autumn 1994, was postponed to 16-18 May 1995. A brief report may be presented at the substantive session of the Council.

V. PROSPECTS FOR THE DEVELOPMENT OF THE PROJECT

54. The project for a permanent link through the Strait of Gibraltar is nearing a turning-point. While the studies conducted up until 1992 had enabled substantial progress to be made in understanding the essential aspects of the project and in establishing a reasonable, relatively sound basis for elaborating a project feasibility study, research in the period 1993-1994 essentially confirmed the earlier findings and produced further, more concrete results which represent important steps in the development of the project.

55. The preliminary pilot project for the tunnel option and the economic studies done in 1994 indeed pointed up the fact that, under the assumption that the reconnaissance gallery would be financed by public funds and then turned over free of charge to the concessionaire, which would then build the rest of the tunnel - a single tunnel in the first stage - without any additional public assistance, the capital invested by the concessionaire would yield an internal

rate of return comparable to that obtained in other infrastructure projects in both Spain and Morocco.

56. This tunnel option is feasible using existing, proven building techniques, will cause no harm to the marine environment, will make it possible to absorb both road and rail traffic, free of maritime navigation problems, and will meet funding imperatives; it therefore seems to be essentially the best solution in the current phase of study.

57. One fundamental aspect has yet to be addressed, i.e., consolidation of technical feasibility, which should benefit from the current off-shore drilling survey. The necessary government funds must also be found to build the undersea reconnaissance gallery; in that regard, substantial financial support from the European Union will be crucial. It is hoped that this support will be granted in the context of the European Union's Mediterranean policy, in view of the major role this tunnel will play in the land transport infrastructure network between Europe and Africa.

58. The evaluation report to be prepared by the companies at the end of the current phase of work, with the assistance of independent consultants, should put forward some proposals as to the following phase of work. If all other conditions are met, it will perhaps be time to take the decision to choose the tunnel option as outlined above.